

ORIGINAL

NEW APPLICATION



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BEFORE THE ARIZONA CORPORAT
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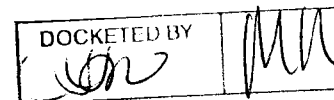
COMMISSIONERS

MIKE GLEASON, Chairman
WILLIAM A. MUNDELL
JEFF HATCH-MILLER
KRISTIN K. MAYES
GARY PIERCE

AZ CORP COMMISSION
DOCKET CONTROL

Arizona Corporation Commission
DOCKETED

AUG 30 2007



IN THE MATTER OF THE
APPLICATION OF SULPHUR
SPRINGS VALLEY ELECTRIC
COOPERATIVE, INC., AN ARIZONA
NONPROFIT CORPORATION, FOR
AUTHORIZATION TO INCUR DEBT
TO FINANCE ITS CLEAN
RENEWABLE ENERGY BONDS FOR
SCHOOLS PROGRAM AND FOR
RELATED APPROVALS.

E-1575A-07-Q501
Docket No. E-1575A-07-

FINANCING APPLICATION

**(REQUEST FOR EXPEDITED
APPROVAL TO COORDINATE WITH
DOCKET NO. E-1575A-07-0310)**

I. INTRODUCTION

Pursuant to A.R.S. §§ 40-285, 40-301 and 302, Sulphur Springs Valley Electric Cooperative, Inc. ("SSVEC"), by and through counsel undersigned, submits the following Financing Application ("Application") requesting an Order from the Arizona Corporation Commission ("Commission") authorizing a new assumption of debt in the total amount of up to \$11,480,000 (the "Credit Facility") for Clean Renewable Energy Bonds for Schools Program ("CREBS Program") from the National Rural Utilities Cooperative Finance Corporation ("CFC") and the execution of loan documents in favor of the CFC. A copy of the CFC approval letter for the Credit Facility is attached as Exhibit A. The Credit Facility amount is the total amount of funds requested by SSVEC and approved by the CFC. SSVEC seeks to acquire this debt as the means of funding its CREBS Program pursuant to the Commission's Renewable Energy Standard and Tariff Rules ("REST Rules") and as set forth in SSVEC's 2007/2008 REST Plan ("REST Plan") that is currently pending before the Commission in Docket No. E-1575A-07-0310 and incorporated by reference to the extent applicable.

Snell & Wilmer

LLP
LAW OFFICES
One Arizona Center, 400 E. Van Buren
Phoenix, Arizona 85004-2202
(602) 382-6000

1 SSVEC further requests that the Commission authorize the pledge, mortgage, lien
2 and/or encumbrance of SSVEC's utility plant and assets as security for the Credit Facility
3 as required by CFC and as authorized by SSVEC's Board of Directors. *See* Certificate of
4 Resolutions and Incumbency (March 28, 2007), attached hereto as Exhibit B.

5 SSVEC further requests that the Commission authorize the Credit Facility to be
6 used for SSVEC's CREBS Program as more fully described in its REST Plan, including
7 purposes incidental thereto.

8 SSVEC further requests that the Commission issue its finding that the requested
9 financing is a) reasonably necessary and appropriate for the purposes described herein and
10 that such purposes are not, wholly or in part, reasonably chargeable to operative expenses
11 or to income; and b) for lawful purposes within SSVEC's corporate powers, compatible
12 with the public interest, with sound financial practices, and with proper performance by
13 SSVEC of service as a public service corporation, and will not impair SSVEC's ability to
14 perform the service.

15 Finally, in order to guarantee that funds will be available for use as part of
16 SSVEC's CREBS Program as more fully described herein, SSVEC requests that the
17 Commission expedite its review and approval of this Application to coordinate with
18 Docket No. E-1575A-07-0310, and that the Application be approved without hearing.

19 **II. APPLICANT**

20 SSVEC is a member-owned Arizona nonprofit corporation with its principal
21 business office located at 350 North Haskell, Willcox, Arizona 85643. SSVEC is a
22 public service corporation providing electric distribution service in parts of Cochise, Santa
23 Cruz, Pima, and Graham Counties pursuant to a Certificate of Convenience and Necessity
24 issued by this Commission.

25 **III. PURPOSE OF THE FINANCING**

26 The purpose of the financing is to construct photovoltaic ("PV") shade structures at
27 all of the public schools in SSVEC's service territory, as well as at the public colleges and
28 universities. As more fully described in the CREBS Program that has been provided to

1 the Commission in Docket No. E-1575A-07-0310 as part of its REST Plan, it is
2 anticipated that such structures will lower the schools' energy bills, provide shaded areas
3 for SSVEC's members' children to play outside, reduce emissions from fossil fuel, reduce
4 water use and provide an educational tool for children, teachers and parents. SSVEC's
5 CREBS Program will place these PV modules that will cost approximately \$280,000 each,
6 which will produce 23 kW of electricity at 41 sites. The PV structure will provide
7 electricity to the schools at no charge. There will also be a cable connection to a computer
8 in the library of each school to show students how the system is working.

9 The Energy Policy Act of 2005 provided for the issuance of CREBS bonds to
10 afford electric cooperatives and public power systems a new incentive to finance
11 renewable generation projects. Qualified projects within the meaning of Section
12 54(d)(2)(A) of the Internal Revenue Code may apply for an allocation of CREBS bonds
13 from the Department of Treasury. The funds may be used for reimbursement of qualified
14 CREBS Project expenses only. SSVEC has received approval for a loan from the CFC in
15 the sum of up to \$11,480,000, contingent upon execution and submission of final loan
16 documents and approval of the Commission.

17 The Commission has determined that development of renewable energy is in the
18 public interest and has recently adopted REST Rules to require utilities such as SSVEC to
19 procure renewable energy resources and recover the costs through a Commission-
20 approved REST Tariff. Accordingly, SSVEC will repay this loan entirely from revenues
21 derived from its Commission-approved REST Tariff and not out of SSVEC's other rates
22 and charges. The financial forecast that supports this loan indicates that SSVEC can
23 maintain its financial ratios consistent with sound financial principals.

24 IV. TERMS OF THE LOAN

25 SSVEC seeks to acquire the additional debt of up to \$11,480,000 as a means of
26 financing the CREBS Program. The CFC loan will be subject to 150 basis points paid to
27 the CFC to cover the legal expenses, placement fees and administrative costs. The CFC
28 has indicated to SSVEC that it estimates the interest on the loan to be approximately ½ to

1 1 percent.¹ Interest will be payable on a calendar quarter basis based upon a level of
2 amortization of the amount of net loan proceeds advanced. The maximum term of the
3 loan is 16 years. No fees are being paid to any other person in connection with the
4 issuance of the financing.

5 V. SSVEC'S FINANCIAL STRENGTH

6 SSVEC has the financial ability to undertake the obligations of the Credit Facility.
7 Attached are copies of the following SSVEC financial documents:

- 8 • Audited Financial Statement with Accompanying Information for the Years Ended
9 June 30, 2006 and 2005 (Exhibit C);
- 10 • Unaudited mid-year Financial and Statistical Report for the period ending
11 December 31, 2006 (Exhibit D); and
- 12 • The most recent unaudited and updated information for the Financial and Statistical
13 Report for the period ending July 2007 (Exhibit E).

14 VI. PUBLICATION OF NOTICE

15 SSVEC will publish such notice of this Application as the Commission may require
16 pursuant to A.R.S. § 40-302(A) as specified in the Commission's finance application form
17 set forth at <http://www.azcc.gov/divisions/util/forms/financeApp.pdf>. The notice will be
18 substantially in the form attached hereto as Exhibit F. Proof of publication will be filed
19 with the Commission once the notice is published.

20 VII. NOTICES TO SSVEC

21 All communications and correspondence regarding this Application, as well as
22 communications and pleadings with respect hereto filed by other parties, should be served
23 on the following:

24 Bradley S. Carroll, Esq.
25 Kristoffer P. Kiefer, Esq.
26 SNELL & WILMER L.L.P.
27 One Arizona Center
28 Phoenix, AZ 85004-2202
Phone: (602) 382-6578
Fax: (602) 382-6070
E-Mail: bcarroll@swlaw.com

¹ The CFC has recently indicated to SSVEC that it anticipates the interest rate to be closer to ½ percent.

1 With a copy to:

2 Kirby Chapman, Chief Financial and Administrative Officer
3 SULPHUR SPRINGS VALLEY ELECTIC COOPERATIVE, INC.
4 311 E. Wilcox
5 Sierra Vista, AZ 85635
6 Phone: (520) 515-3457
7 Fax: (520) 458-6860
8 E-mail: kchapman@ssvec.com

9 **VIII. CONCLUSION**

10 WHEREFORE, SSVEC respectfully requests that the Commission issue its Order
11 in accordance with A.R.S. §§ 40-285, 40-301 and 302 as follows:

- 12 1. Authorizing SSVEC to assume new debt in the total amount of up to
13 \$11,480,000 from the CFC according to the terms of the Credit Facility as
14 described in this Application and to execute all necessary documents
15 associated therewith;
- 16 2. Authorizing SSVEC to use the proceeds of the Credit Facility for the
17 purposes described in this Application for the CREBS Program;
- 18 3. Finding that the Credit Facility is reasonably necessary and appropriate for
19 the purposes described in this Application and that such purposes are not,
20 wholly or in part, reasonably chargeable to operative expenses or to income;
- 21 4. Authorizing SSVEC to pledge, mortgage, lien and/or encumber its real
22 property and utility plant and assets as security for the Credit Facility as
23 required by the CFC; and
- 24 5. Finding that the Credit Facility is for lawful purposes within SSVEC's
25 corporate powers, compatible with the public interest, with sound financial
26 practices, and with proper performance by SSVEC of service as a public
27 service corporation, and will not impair SSVEC's ability to perform the
28 service.

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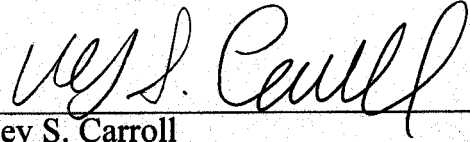
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SSVEC further requests that the Commission expedite its review and approval of this Application to coordinate with Docket No. E-1575A-07-0310 and that the Application be approved without a hearing.

RESPECTFULLY SUBMITTED this 30th day of August, 2007.

SNELL & WILMER L.L.P.

By



Bradley S. Carroll
Kristoffer P. Kiefer
One Arizona Center
400 East Van Buren
Phoenix, Arizona 85004-2202
Attorneys for Sulphur Springs Valley Electric
Cooperative, Inc.

ORIGINAL and 16 copies filed this
30th day of August, 2007, with:

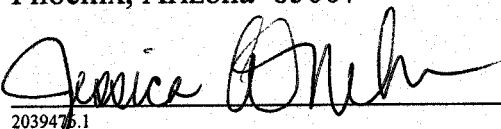
Docket Control
ARIZONA CORPORATION COMMISSION
1200 West Washington
Phoenix, Arizona 85007

COPY of the foregoing hand-delivered
this 30th day of August, 2007, to:

Lyn Farmer, Chief Administrative Law Judge
Hearing Division
ARIZONA CORPORATION COMMISSION
1200 West Washington Street
Phoenix, Arizona 85007

Ernest G. Johnson, Director
Ray Williamson
Utilities Division
ARIZONA CORPORATION COMMISSION
1200 West Washington Street
Phoenix, Arizona 85007

Christopher Kempley, Chief Counsel
Legal Division
ARIZONA CORPORATION COMMISSION
1200 West Washington Street
Phoenix, Arizona 85007



2039475.1

EXHIBIT A



National Rural Utilities
Cooperative Finance Corporation

2201 Cooperative Way
Herndon, Virginia 20171-3025
703-709-6700 | www.nruct.coop

A Touchstone Energy Cooperative 

July 6, 2007

Mr. Creden W. Huber
Chief Executive Officer
Sulphur Springs Valley Electric Cooperative
311 East Wilcox
Sierra Vista, AZ 85635

RE: Clean Renewable Energy Bonds Loan #AZ014-9031

Dear Mr. Huber:

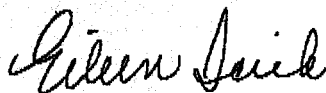
This letter is to inform you that CFC has approved a Clean Renewable Energy Bonds loan for your cooperative in the amount of \$11,480,000 for the following projects:

<u>Name of School District</u>	<u>Number of Projects</u>	<u>Total Amount per Project</u>
Benson	3	\$840,000
Bowie	2	560,000
Cochise	1	280,000
Double Adobe	1	280,000
Elfrida	1	280,000
Empire	1	280,000
Fort Huachuca	3	840,000
McNeal	1	280,000
Palominas	2	560,000
Patagonia	3	840,000
Pearce	2	560,000
Pomerene	1	280,000
Sierra Vista	9	2,520,000
Sonoita	1	280,000
St. David	2	560,000
Valley Union	1	280,000
Willcox	3	840,000
University of Arizona South	1	280,000
Cochise College	<u>3</u>	<u>840,000</u>
	41	\$11,480,000

The terms and conditions associated with the loan will be reflected in the CFC Loan Agreement. The CFC loan documents will be prepared and sent to you shortly. Once the executed loan documents are returned to CFC and found to be legally acceptable, you will be notified of fund availability.

We are pleased to serve you and appreciate your continued interest in CFC. If you have any questions regarding this loan or any of CFC's other financial products and services, please feel free to call me at (800) 424-2954.

Sincerely,



Eileen Iciek
Associate Vice President

EXHIBIT B

CERTIFICATE OF RESOLUTIONS AND INCUMBENCY

I, Curtis Nolan, do hereby certify that (i) I am the Secretary of SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC. (hereinafter called the "Cooperative"); (ii) the following are true and correct copies of resolutions duly adopted by the board of directors of the Cooperative at a meeting held on March 28, 2007; (iii) the meeting was duly and regularly called and held in accordance with the articles and bylaws of the Cooperative; (iv) the Cooperative is duly incorporated, validly existing and in good standing under the laws of the state of its incorporation and there is no pending or contemplated proceeding for the merger, consolidation, sale of assets or business or dissolution of the Cooperative; (v) none of the following resolutions has been rescinded or modified as of this date; and (vi) the persons authorized below have been duly elected or appointed to their respective positions:

RESOLVED, that the Cooperative borrow from National Rural Utilities Cooperative Finance Corporation (CFC), from time to time as determined by the officers or proper persons designated by the board of directors of the Cooperative, an aggregate amount not to exceed \$11,480,000.00 to finance certain qualified projects identified on Exhibit A hereto pursuant to Section 54 of the Internal Revenue Code of 1986, as supplemented and amended, and purchase Loan Capital Term Certificates ("LCTCs"), if required, with general funds or with the proceeds of additional secured loans from CFC, in an amount not to exceed the amount set forth in the loan agreements governing the project loans approved hereby (each a "Loan Agreement" and collectively, the "Loan Agreements"); and

RESOLVED, that the proceeds of the loans be used solely for the purposes set forth in each Loan Agreement; and

RESOLVED, that the individuals listed below ("Authorized Officers"), after obtaining any necessary approval from the Arizona Corporation Commission, are hereby authorized to execute and to deliver to CFC the following documents (including as many counterparts as may be required) containing such terms and conditions as such Authorized Officers deem necessary and appropriate:

- a) the Loan Agreements;
- b) a project agreement relating to each qualified project;
- c) nineteen secured promissory notes payable to the order of National Rural Utilities Cooperative Finance Corporation, which in the aggregate equal the principal amount of \$11,480,000.00, bearing such interest and providing for such payment as is set forth in the CFC Loan Agreements and each note; and
- d) a mortgage and security agreement with CFC as mortgagee.

if the Cooperative elects to borrow funds for the purchase of the required LCTCs:

- e) loan agreements with CFC, the proceeds of which are to be used solely for the purchase of LCTCs ("LCTC Loan Agreements"); and
- f) nineteen secured promissory notes payable to the order of National Rural Utilities Cooperative Finance Corporation, which in the aggregate equal the amount of the

EXHIBIT A

Project Type	Project Location	Amount
Solar energy facility	Cochise, AZ	\$280,000
Solar energy facility	McNeal, AZ	\$280,000
Solar energy facility	Elfrida, AZ	\$280,000
Solar energy facility	Sonoita, AZ	\$280,000
Solar energy facility	McNeal, AZ	\$280,000
Solar energy facility	Pomerene, AZ	\$280,000
Solar energy facility	Sonoita, AZ	\$280,000
Solar energy facility	Sierra Vista, AZ	\$280,000
Solar energy facility	Elfrida, AZ	\$280,000
Solar energy facility	Bowie, AZ	\$560,000
Solar energy facility	Sierra Vista and Hereford, AZ	\$560,000
Solar energy facility	Pearce, AZ	\$560,000
Solar energy facility	St. David, AZ	\$560,000
Solar energy facility	Benson, AZ	\$840,000
Solar energy facility	Sierra Vista, Benson and Wilcox, AZ	\$840,000
Solar energy facility	Fort Huachuaca, AZ	\$840,000
Solar energy facility	Patagonia, AZ	\$840,000
Solar energy facility	Wilcox, AZ	\$840,000
Solar energy facility	Sierra Vista, AZ	\$2,520,000

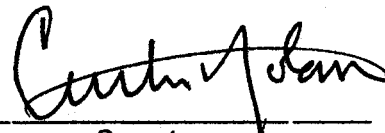
LCTCs required under the Loan Agreements, bearing such interest and providing for such payment as is set forth in the LCTC Loan Agreements and each note;

RESOLVED, that each of the Authorized Officers is hereby authorized in the name and on behalf of the Cooperative to execute and to deliver all such other documents and instruments as may be necessary or appropriate, to make all payments, and to do all such other acts as in the opinion of such authorized individual acting may be necessary or appropriate in order to carry out the purposes and intent of the foregoing resolutions:

<u>Office or Title</u>	<u>Name (typed or printed)</u>
<u>President</u>	<u>Gene Manring</u>
<u>Vice President</u>	<u>Kathy Thatcher</u>
<u>Secretary</u>	<u>Curtis Nolan</u>
<u>Treasurer</u>	<u>Dan Barrera</u>

IN WITNESS WHEREOF I have hereunto set my hand and affixed the seal of the Cooperative this

28th day of March, 2007



Secretary

(SEAL)

RESOLUTION

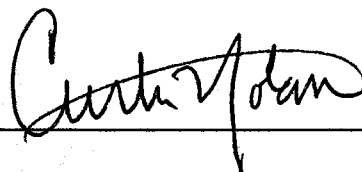
2006-28

The following resolution was adopted at a regular meeting of the Sulphur Springs Valley Electric Cooperative, Inc., Board of Directors held December 19, 2006, in Willcox, Arizona:

WHEREAS, Sulphur Springs Valley Electric Cooperative (SSVEC), an electric cooperative company in Arizona, is allowed under the current EPS and the recently adopted Renewable Energy Standard and Tariff (Rest Rules) to develop and submit to the Arizona Corporation Commission (ACC) a program to meet the criteria established under the new rules,

BE IT RESOLVED that the Board of Directors of SSVEC authorizes the management and staff of SSVEC to develop and submit to the ACC a plan to meet the existing EPS Rules and to meet the ACC REST Rules based on the criteria set forth in ACC Decision Number 69127 dated November 14, 2006 for SSVEC.

I, Curtis Nolan, do hereby certify that I am the Secretary of Sulphur Springs Valley Electric Cooperative, Inc., and the foregoing is a true and correct copy of a resolution adopted by the SSVEC Board of Directors at a regular meeting held on December 19, 2006.



Secretary

SEAL

EXHIBIT C

ARIZONA 14 COCHISE

SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC.

WILLCOX, ARIZONA

FINANCIAL STATEMENTS WITH ACCOMPANYING INFORMATION

FOR THE YEARS ENDED JUNE 30, 200 AND 2005

AND

REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.

**CERTIFIED PUBLIC ACCOUNTANTS
LUBBOCK, TEXAS**

ARIZONA 14 COCHISE

SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC.

WILLCOX, ARIZONA

FINANCIAL STATEMENTS WITH ACCOMPANYING INFORMATION

FOR THE YEARS ENDED JUNE 30, 2006 AND 2005

AND

REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

**ARIZONA 14 COCHISE
SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC.
WILLCOX, ARIZONA**

**FINANCIAL STATEMENTS WITH ACCOMPANYING INFORMATION
FOR THE YEARS ENDED JUNE 30, 2006 AND 2005**

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BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

PHONE: (806) 747-3806

FAX: (806) 747-3815

1623 10TH STREET

LUBBOCK, TEXAS 79401-2685

INDEPENDENT AUDITORS' REPORT

Board of Directors
Sulphur Springs Valley Electric Cooperative, Inc.
Willcox, Arizona

We have audited the accompanying balance sheet of Sulphur Springs Valley Electric Cooperative, Inc. as of June 30, 2006 and 2005, and the related statements of income and patronage capital, and cash flows for the years then ended. These financial statements are the responsibility of the cooperative's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sulphur Springs Valley Electric Cooperative, Inc. as of June 30, 2006 and 2005, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Bolinger, Segars, Gilbert & Moss LLP

Certified Public Accountants

September 14, 2006

SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC.

Exhibit A

BALANCE SHEET
JUNE 30, 2006 AND 2005

ASSETS

	June 30,	
	2006	2005
UTILITY PLANT AT COST		
Electric Plant in Service	\$ 182,625,306	\$ 165,714,404
Construction Work in Progress	15,748,086	16,247,435
	<u>\$ 198,373,392</u>	<u>\$ 181,961,839</u>
Less: Accumulated Provision for Depreciation and Amortization	65,173,054	59,719,334
	<u>\$ 133,200,338</u>	<u>\$ 122,242,505</u>
OTHER PROPERTY AND INVESTMENTS AT COST OR STATED VALUE		
Non-Utility Property	\$ 115,029	\$ 115,029
Investments in Associated Organizations	9,997,324	9,715,135
Other Investments	419,625	354,480
	<u>\$ 10,531,978</u>	<u>\$ 10,184,644</u>
CURRENT ASSETS		
Cash - General	\$	\$ 727,938
Temporary Cash Investments		210,000
Underbilled Power Cost	901,692	341,545
Accounts and Notes Receivable (Less allowance for uncollectibles of \$532,201 in 2006 and \$531,476 in 2005)	7,145,902	4,778,728
Materials and Supplies	1,202,627	556,125
Other Current and Accrued Assets	530,440	974,371
	<u>\$ 9,780,661</u>	<u>\$ 7,588,707</u>
DEFERRED CHARGES	<u>\$ 302,777</u>	<u>\$ 420,080</u>
	<u>\$ 153,815,754</u>	<u>\$ 140,435,936</u>
EQUITIES AND LIABILITIES		
EQUITIES		
Memberships	\$ 186,760	\$ 181,445
Patronage Capital	43,617,316	40,054,679
Other Equities		(819,777)
	<u>\$ 43,804,076</u>	<u>\$ 39,416,347</u>
LONG-TERM DEBT		
CFC Mortgage Notes Less Current Maturities	\$ 78,348,000	\$ 76,675,091
Notes Payable - Fort Huachuca	1,661,087	
	<u>\$ 80,009,087</u>	<u>\$ 76,675,091</u>
OTHER LONG-TERM LIABILITIES		
Deferred Compensation	\$ 242,204	\$ 166,134
ACCUMULATED PROVISION FOR PENSIONS AND BENEFITS		
Postretirement Benefits	\$ 551,054	\$ 546,684
CURRENT LIABILITIES		
Notes Payable	\$ 5,996,828	\$ 2,426,981
Current Maturities of Long-Term Debt	4,371,089	4,138,957
Accounts Payable - Purchased Power	5,332,448	3,843,918
Accounts Payable - Other	2,590,744	2,214,199
Accounts Payable - Bank Overdraft	315,927	
Consumer Deposits	1,247,936	1,132,021
Accrued Taxes	1,581,298	1,643,409
Accrued Interest	26,889	13,636
Accrued Payroll	157,199	366,880
Accrued Employee Compensated Absences	1,856,562	1,697,783
Other Current and Accrued Liabilities	36,977	43,198
	<u>\$ 23,513,897</u>	<u>\$ 17,520,982</u>
DEFERRED CREDITS	<u>\$ 5,695,436</u>	<u>\$ 6,110,698</u>
	<u>\$ 153,815,754</u>	<u>\$ 140,435,936</u>

See accompanying notes to the financial statements.

SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC.

Exhibit B

STATEMENT OF INCOME AND PATRONAGE CAPITAL
FOR THE YEARS ENDED JUNE 30, 2006 AND 2005

	Years Ended June 30,				
	2006		2005		Increase
	Amount	%	Amount	%	(Decrease)
OPERATING REVENUES					
Residential	\$ 36,620,450	48.1	\$ 33,189,865	52.1	\$ 3,430,585
Irrigation	9,419,697	12.4	6,270,281	9.8	3,149,416
Commercial and Industrial	27,042,668	35.5	24,622,173	38.6	2,420,495
Public Buildings and Other Authorities	413,588	0.5	348,298	0.5	65,290
Power Cost Adjustments	560,148	0.7	(1,759,682)	(2.8)	2,319,830
Rent from Electric Property	1,424,642	1.9	510,683	0.8	913,959
Other Operating Revenues	689,150	0.9	648,028	1.0	41,122
Total Operating Revenues	\$ 76,170,343	100.0	\$ 63,829,646	100.0	\$ 12,340,697
OPERATING EXPENSES					
Purchased Power	\$ 45,111,247	59.2	\$ 36,208,652	56.7	\$ 8,902,595
Transmission	479,869	0.6	202,377	0.3	277,492
Distribution - Operation	7,074,687	9.3	6,736,977	10.6	337,710
Distribution - Maintenance	1,911,905	2.5	1,736,525	2.7	175,380
Consumer Accounts	2,542,412	3.3	2,600,468	4.1	(58,056)
Customer Service and Information	657,004	0.9	599,813	0.9	57,191
Sales Expenses	501,857	0.7	317,628	0.5	184,229
Administrative and General	3,124,334	4.1	2,663,899	4.2	460,435
Depreciation and Amortization	5,728,457	7.5	5,320,877	8.3	407,580
Taxes	702,087	0.9	627,592	1.0	74,495
Other Interest	156,140	0.2	90,909	0.1	65,231
Other Deductions	138,638	0.2	84,397	0.1	54,241
Total Operating Expenses	\$ 68,128,637	89.4	\$ 57,190,114	89.5	\$ 10,938,523
OPERATING MARGINS - Before					
Fixed Charges	\$ 8,041,706	10.6	\$ 6,639,532	10.5	\$ 1,402,174
FIXED CHARGES					
Interest on Long-Term Debt	4,460,641	5.9	3,705,354	5.8	755,287
Amortization of Conversion Fees	82,712	0.1	82,712	0.1	
	\$ 4,543,353	6.0	\$ 3,788,066	5.9	\$ 755,287
OPERATING MARGINS - After Fixed Charges					
	\$ 3,498,353	4.6	\$ 2,851,466	4.6	\$ 646,887
Capital Credits	289,097	0.4	203,690	0.3	85,407
NET OPERATING MARGINS					
	\$ 3,787,450	5.0	\$ 3,055,156	4.9	\$ 732,294
NONOPERATING MARGINS					
Interest Income and Dividend Income	\$ 111,895	0.1	\$ 111,874	0.2	\$ 21
Other Nonoperating Margin (Loss)	983,071	1.3	742,846	1.2	240,225
	\$ 1,094,966	1.4	\$ 854,720	1.4	\$ 240,246
NET MARGINS					
	\$ 4,882,416	6.4	\$ 3,909,876	6.3	\$ 972,540
PATRONAGE CAPITAL - Beginning of Year					
	40,054,679		37,501,073		
NONOPERATING MARGINS TRANSFERRED TO PRIOR YEAR DEFICIT					
	(819,777)		(279,118)		
PATRONAGE CAPITAL RETIRED					
	(500,002)		(1,077,152)		
PATRONAGE CAPITAL - End of Year					
	\$ 43,617,316		\$ 40,054,679		

See accompanying notes to the financial statements.

SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC.

Exhibit C

STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2006 AND 2005

	June 30,	
	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Margins	\$ 4,882,416	\$ 3,909,876
Adjustments to Reconcile Net Margins to Net Cash Provided by Operating Activities		
Depreciation and Amortization	6,586,061	5,971,324
Capital Credits - Noncash	(125,201)	(69,068)
Accrued Postretirement Benefits	53,900	53,900
Deferred Charges	117,303	242,127
Deferred Credits	(415,262)	3,013,666
Accounts Receivable	(2,367,174)	(778,090)
Unbilled Power Cost	(560,147)	1,759,682
Inventories and Other Current Assets	(202,571)	(537,110)
Accounts Payable and Other Accrued Liabilities	2,267,006	1,188,636
Net Cash Provided by Operating Activities	\$ 10,236,331	\$ 14,754,943
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to Utility Plant	\$ (17,350,741)	\$ (22,492,463)
Plant Removal Costs in Excess of (Less Than) Salvage	(193,153)	(94,322)
Other Property and Investments - Net of Noncash Capital Credits	(222,133)	(389,753)
Net Cash Used in Investing Activities	\$ (17,766,027)	\$ (22,976,538)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net Advances on CFC Short-Term Line of Credit	\$ 3,569,847	\$ 1,846,937
Advances from CFC	6,000,000	12,000,000
Payments on Long-Term Debt to CFC	(4,154,944)	(4,085,441)
Notes Payable to Fort Huachuca	1,799,830	
Payments on Notes Payable to Fort Huachuca	(78,758)	
Payments on Postretirement Benefits	(49,530)	(55,599)
Retirement of Patronage Capital	(500,002)	(1,077,152)
Memberships - Net	5,315	7,490
Net Cash Provided by Financing Activities	\$ 6,591,758	\$ 8,636,235
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ (937,938)	\$ 414,640
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	937,938	523,298
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 0	\$ 937,938
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid During the Year for:		
Interest	\$ 4,494,396	\$ 3,776,354
Income Taxes	\$ 0	\$ 0

See accompanying notes to the financial statements.

SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC.

NOTES TO FINANCIAL STATEMENTS

1. Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

~~Sulphur Springs Valley Electric Cooperative, Inc. (the cooperative) is a non-profit company~~ organized to provide electric service at the retail level to primarily residential and commercial accounts in a designated service area. Power delivered at retail is purchased wholesale from Arizona Electric Power Cooperative, Inc., of which Sulphur Springs Valley Electric Cooperative, Inc. is a member. Any revenues earned in excess of costs incurred are allocated to members of Sulphur Springs Valley Electric Cooperative, Inc. and are reflected as patronage capital equity in the balance sheet.

System of Accounts

The accounting records of the cooperative are maintained in accordance with the Uniform System of Accounts as prescribed by the Federal Energy Regulatory Commission for Class A and B electric utilities modified for electric borrowers of the Rural Utilities Service (RUS).

Electric Plant, Maintenance, and Depreciation

Electric plant is stated at the original cost of construction which includes the cost of contracted services, direct labor, materials, and overhead items. Contributions from others toward the construction of electric plant are credited to the applicable plant accounts.

When property which represents a retirement unit is replaced or removed, the average vintage cost of such property as determined from the continuing property records is credited to electric plant, and such cost, together with cost of removal less salvage, is charged to the accumulated provision for depreciation.

Maintenance and repairs, including the renewal of minor items of plant not comprising a retirement unit, are charged to the appropriate maintenance accounts, except that repairs of transportation and service equipment are charged to clearing accounts and redistributed to operating expense and other accounts.

Allowance for Uncollectible Accounts

The cooperative uses the aging method to allow for uncollectible accounts receivable. During the year, management makes an evaluation of past due accounts to determine collectibility. The accounts deemed uncollectible are written off upon approval by the board of directors.

Inventories

- Materials and supplies inventories are valued at average unit cost.

Electric Revenues

The cooperative's operating revenues are under the jurisdiction of the Arizona Corporation Commission.

As of June 30, 2006 and 2005, the cooperative has delivered power for usage which has not yet been billed. It is estimated that this unbilled revenue amounts to \$6,946,557 and \$5,900,329 at June 30, 2006 and 2005, respectively.

SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC.

NOTES TO FINANCIAL STATEMENTS

The cooperative's tariffs for electric service include wholesale power cost adjustment clauses under which electric rates charged to customers are adjusted to reflect changes in the cost of power. ~~Annual changes in these amounts appear as over and under billed revenue on the statement of income.~~

Patronage Capital Certificates

Patronage capital from associated organizations is recorded at the stated amount of the certificates.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the cooperative considers cash-general and cash-construction fund, to be cash equivalents.

Group Concentration of Credit Risk

The cooperative's headquarters facility is located in Willcox, Arizona. The service area includes members located in a multi-county area of southeastern Arizona. The cooperative records a receivable for electric revenues as billed on a monthly basis. The cooperative requires a deposit from its members upon connection which is applied to unpaid bills in the event of default. The deposit accrues interest and is returned along with accrued interest after one year of prompt payments. As of June 30, 2006 and 2005, deposits on hand were \$1,247,936 and \$1,132,021, respectively.

The cooperative places its demand deposits with financial institutions that are members of the Federal Deposit Insurance Corporation which insures deposits up to a maximum of \$100,000. At various times during the year, cash balances were in excess of the FDIC coverage.

Use of Estimates in Preparation of Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Comparative Financial Information

Certain amounts in the prior period financial statements have been reclassified in order to conform to current period presentation.

2. Assets Pledged

Substantially all assets are pledged as security for the long-term debt due the National Rural Utilities Cooperative Finance Corporation (CFC).

SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC.

NOTES TO FINANCIAL STATEMENTS

3. Electric Plant

The major classes of electric plant are as follows:

	June 30,	
	2006	2005
Intangible Plant	\$ 46,500	\$ 46,500
Transmission Plant	7,502,470	7,216,275
Distribution Plant	154,019,349	140,671,507
General Plant	21,056,987	17,780,122
Total Electric Plant in Service	\$ 182,625,306	\$ 165,714,404
Construction Work in Progress	15,748,086	16,247,435
Total Electric Plant	\$ 198,373,392	\$ 181,961,839

Provision for depreciation of electric plant is computed using straight-line rates as follows:

Transmission Plant	
Station Equipment	2.75%
Poles, Towers, and Fixtures	2.75%
Overhead Conductors and Devices	2.75%
Distribution Plant	
Station Equipment	3.20%
Poles, Towers, and Fixtures	4.00%
Overhead Conductors and Devices	2.80%
Underground Conduit	2.30%
Underground Conductors and Devices	5.90%
Line Transformers	3.10%
Services	3.60%
Meters	3.40%
Installations on Consumers' Premises	4.40%
Street Lighting and Signal Systems	4.30%

The cooperative computes depreciation on transmission and distribution plant by applying the above rates to the individual plant accounts. This is done to provide necessary detail information to the Arizona Corporation Commission.

SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC.

NOTES TO FINANCIAL STATEMENTS

General plant depreciation rates have been applied on a straight-line basis and are as follows:

Structures and Improvements	3.00%
Office Furniture and Fixtures	6.00%
Computer Equipment	12.50% and 16.00%
Transportation Equipment	20.00%
Stores Equipment	6.00%
Power Operated Equipment	12.00%
Communications Equipment	6.00%
Miscellaneous Equipment	6.00%
Tools, Shop, and Garage Equipment	6.00%

Depreciation and amortization for the years ended June 30, 2006 and 2005, was \$6,586,061 and \$5,971,324, respectively, of which \$5,728,457 and \$5,320,877 was charged to depreciation and amortization expense, and \$857,604 and \$650,447 allocated to other accounts.

4. Investments in Associated Organizations

Investments in associated organizations consisted of the following as of June 30, 2006 and 2005:

	June 30,	
	2006	2005
CFC		
Capital Term Certificates	\$ 3,008,854	\$ 2,780,766
Patronage Capital	658,046	624,483
Membership	1,000	1,000
	<u>\$ 3,667,900</u>	<u>\$ 3,406,249</u>
Arizona Electric Power Cooperative, Inc.		
Patronage Capital	\$ 6,151,213	\$ 6,151,213
Other	<u>178,211</u>	<u>157,673</u>
	<u>\$ 9,997,324</u>	<u>\$ 9,715,135</u>

SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC.

NOTES TO FINANCIAL STATEMENTS

5. Other Investments

	June 30,	
	2006	2005
Member Loans	\$ 177,421	\$ 188,346
Homestead Funds, Inc. - At Fair Value	242,204	166,134
	<u>\$ 419,625</u>	<u>\$ 354,480</u>

6. Inventories – At Average Cost

Inventories consist of:

	June 30,	
	2006	2005
Materials and Supplies	\$ 1,048,529	\$ 511,170
Resale Material	154,098	44,955
	<u>\$ 1,202,627</u>	<u>\$ 556,125</u>

7. Deferred Charges

Deferred charges consist of:

	June 30,	
	2006	2005
Acquisition Proposal	\$	\$ 95,824
Long-Term Debt Conversion Costs		82,712
Prepaid Income Taxes	116,000	116,000
Clearing - Inventory Adjustment		21,677
Deferred Income - All Electric Homes	146,943	
Other Deferred Charges	39,834	103,867
	<u>\$ 302,777</u>	<u>\$ 420,080</u>

During 2003, the cooperative incurred \$248,136 in long-term debt conversion costs associated with refinancing various notes to fixed rates currently available. This amount is being written off over three years. The cooperative expensed \$82,712 and \$82,712, in 2006 and 2005, respectively.

SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC.

NOTES TO FINANCIAL STATEMENTS

8. Return of Capital

~~Under the provisions of the mortgage agreements, until the equities and margins equal or exceed 20%~~
of the total assets of the cooperative, the return to patrons of capital contributed by them is limited generally to 25% of the patronage capital or margins received by the cooperative in the prior calendar year. The equities and margins of the cooperative represent 28.5% of the total assets at the balance sheet date. Patronage capital totaling \$500,002 and \$1,077,152 was retired during the years ended June 30, 2006 and 2005, respectively, and was within the guidelines set by CFC for the return of capital.

9. Patronage Capital

	June 30,	
	2006	2005
Assigned	\$ 49,992,738	\$ 46,590,104
Assignable	5,799,065	5,139,057
	<u>\$ 55,791,803</u>	<u>\$ 51,729,161</u>
Less: Retired	<u>12,174,487</u>	<u>11,674,482</u>
	<u>\$ 43,617,316</u>	<u>\$ 40,054,679</u>

10. Other Equities

	June 30,	
	2006	2005
Capital Gains and Losses	\$	\$ (22,969)
Nonoperating Margins		460,675
Unallocated Deficit		<u>(1,257,483)</u>
	<u>\$ 0</u>	<u>\$ (819,777)</u>

Future year's non-operating margins will be applied to the unallocated deficit until they are fully absorbed. During the current audit period the prior years amounts were offset.

SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC.

NOTES TO FINANCIAL STATEMENTS

11. Mortgage Notes – CFC

Following is a summary of long-term debt due CFC and maturing at various times from 2006 to 2038.

	June 30,	
	2006	2005
Fixed Rate Notes:		
2005 - Interest Rates 2.80% to 6.75%	\$	\$ 80,814,048
2006 - Interest Rates 2.95% to 6.75%	82,659,103	
	\$ 82,659,103	\$ 80,814,048
Less: Current Maturities	4,311,103	4,138,957
	\$ 78,348,000	\$ 76,675,091

Principal and interest installments on the above notes are due quarterly. As of June 30, 2006, annual maturities of long-term debt due CFC for the next five years are as follows:

2007	\$ 4,311,103
2008	3,763,813
2009	3,430,552
2010	3,250,365
2011	5,022,681

12. Notes Payable – Fort Huachuca

In conjunction with the contract to provide distribution maintenance and operation services for Fort Huachuca the cooperative agreed to purchase the existing facilities on the fort. The agreed upon price of \$1,799,830 is being financed by the fort over 15 years at a fixed interest rate of 10.75%. Monthly payments total \$20,175.

As of June 30, 2006, annual maturities of long-term debt due Fort Huachuca for the next five years are as follows:

2007	\$ 59,985
2008	66,761
2009	74,302
2010	82,695
2011	92,036

13. Short-Term Borrowing

The cooperative has a \$8,500,000 line of credit for short-term financing with CFC at a variable interest rate. The cooperative had an outstanding amount of \$5,996,828 and \$2,426,981 under such agreement at June 30, 2006 and 2005, respectively.

SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC.

NOTES TO FINANCIAL STATEMENTS

14. Deferred Credits

Deferred credits consist of:

	June 30,	
	2006	2005
Consumer Advances for Construction	\$ 4,180,127	\$ 3,354,857
Undelivered Patronage Capital Refunds	1,013,150	801,789
Other Deferred Credits	502,159	594,922
Fort Huachuca - Deferred Revenue		1,359,130
	<u>\$ 5,695,436</u>	<u>\$ 6,110,698</u>

15. Pension Benefits

Pension benefits for substantially all employees are provided through participation in the National Rural Electric Cooperative Association (NRECA) Retirement & Security program, a defined benefit pension plan qualified under section 401 and tax exempt under section 501(a) of the Internal Revenue Code. In this multi-employer plan, which is available to all member cooperatives of NRECA, the accumulated benefits and plan assets are not determined or allocated by individual employer. The Retirement and Security Program has periodically been under moratorium due to the plan reaching full funding limitation. Due to funding limitations imposed by federal law, the plan at times must put a moratorium on contributions. The resulting pension cost to the cooperative was \$1,124,039 and \$959,847, for the years ended June 30, 2006 and 2005, respectively.

The cooperative is also a participant in the NRECA 401(k) savings plan, a defined contribution plan. The cost to the cooperative under this plan for the years ended June 30, 2006 and 2005, was \$181,718 and \$172,898, respectively.

16. Other Long-Term Liabilities

The cooperative has provided a deferred compensation plan for certain employees under benefit programs. The liability resulting from these programs is as follows:

	June 30,	
	2006	2005
Employee Deferred Compensation Program	<u>\$ 242,204</u>	<u>\$ 166,134</u>

SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC.

NOTES TO FINANCIAL STATEMENTS

17. Postretirement Benefits

The cooperative provides postretirement benefits for eligible employees through a plan with NRECA.

For any employee that retires after December 31, 2001, the retiree pays the full pre-65 premium and the premium for an individual Medicare Supplement Policy. For employees that retired on or before December 31, 2001, the cooperative pays \$1,250 toward the pre-65 premium and \$1,250 towards an individual Medicare Supplement Policy.

The weighted-average discount rate used to develop the accumulated postretirement benefit obligation was seven percent. The assumed health care cost trend rate is 10% in 2003, declining to an ultimate level of 5.5% in 2009.

Amounts recognized in the cooperative's June 30, 2006 and 2005, financial statements and funded status of the plan is as follows:

	June 30,	
	2006	2005
I) Net Postretirement Benefit Cost		
Interest Cost	\$ 24,900	\$ 24,900
Service Cost	36,700	36,700
Prior Service Cost	(7,700)	(7,700)
II) Accumulated Postretirement Benefit Obligation (APBO) Reconciliation	\$ 53,900	\$ 53,900
APBO Balance at Beginning of Year	\$ 546,684	\$ 548,383
Interest Cost	36,700	36,700
Service Cost	24,900	24,900
Prior Service Cost	(7,700)	(7,700)
Benefits Paid	(49,530)	(55,599)
Net Postretirement Benefit Liability at End of Year	\$ 551,054	\$ 546,684

The cooperative has not funded plan assets as of June 30, 2006.

18. Litigation and Commitments

The cooperative is included in civil litigation cases instituted by the cooperative for the purpose of collecting delinquent accounts receivable from certain members/owners.

The cooperative has executed a contract to purchase all of its electric power requirements from Arizona Electric Power Cooperative, Inc. (AEPCO). The contract is effective through December 31, 2035. At this time the cooperative is negotiating with AEPCO to become a partial requirements customer.

SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC.

NOTES TO FINANCIAL STATEMENTS

The cooperative with other Class "A" members of AEPCO has guaranteed to provide its share of power to Salt River Project in the event that AEPCO cannot perform under its firm power agreement.

19. Related Party Transactions

The cooperative is represented on the Board of Directors of Arizona Electric Power Cooperative, Inc. (AEPCO) and purchases all of its electric power from AEPCO. Margins earned by AEPCO have been allocated to Sulphur Springs Valley Electric Cooperative, Inc., and are reflected under investment in associated organizations on the balance sheet. During the years ended June 30, 2006 and 2005, the cooperative purchased electric power from AEPCO of \$45,111,247 and \$36,208,652, respectively. Amounts payable to AEPCO as of June 30, 2006 and 2005, from the cooperative amounted to \$5,332,448 and \$3,843,917, respectively. Allocations of patronage capital to the cooperative from AEPCO are reflected as investments in associated organizations on the cooperative's balance sheet. No allocations were made to the cooperative during the years ended June 30, 2006 and 2005.

The cooperative through common board oversight and management provides various accounting and management support and services to two individual non-profit organizations: Sulphur Springs Valley Electric Cooperative Charitable Trust and Sulphur Springs Valley Electric Foundation.

Sulphur Springs Valley Electric Cooperative Charitable Trust is a non-profit organization, tax exempt under Internal Revenue Code 501 (c) 3, and organized to provide necessary assistance to individuals, families, organizations and agencies in need, within the cooperative's service area. Under the cooperative's Operation Roundup Program, certain members of the cooperative have elected to have their power bill rounded up to the next whole dollar. All proceeds from this program are transferred to the charitable trust and represent the main source of income to the charitable trust.

Sulphur Springs Valley Electric Cooperative Foundation is a non-profit organization, tax exempt under Internal Revenue Code section 501 (c) 3, and organized primarily to fund the Washington Youth Tour, Youth Energy Science (YES) Fair, educational scholarships and other qualified programs. The cooperative foundation is primarily funded through retired and unclaimed capital credits of the cooperative as defined by the by-laws of the cooperative and the laws of the State of Arizona.

20. Operating Leases

The cooperative has executed operating leases in which the cooperative leases a portion of its Sierra Vista office facility to other parties. The leases vary in term and renewal options. The cooperative recognized \$30,156 and \$34,966 as lease revenue for the years ended June 30, 2006 and June 30, 2005, respectively. The lease is currently on a month to month basis and is expected to be terminated before year end.

SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC.

NOTES TO FINANCIAL STATEMENTS

21. Fair Value of Financial Instruments

~~Statement of Financial Accounting Standards No. 107, Disclosures About Fair Value of Financial Instruments~~, requires disclosure of fair value information about financial instruments. Many of the cooperative's financial instruments lack an available market as characterized by a normal exchange between a willing buyer and a willing seller. Accordingly, significant assumptions, estimations, and present value calculations were used for purposes of this disclosure.

The following assumptions were used to estimate fair value of each class of financial instrument for which estimation is practicable.

Patronage Capital from Associated Organization – The right to receive cash is an inherent component of a financial instrument. The cooperative holds no right to receive cash since any payments are at the discretion of the governing body for the associated organizations. As such, Patronage Capital from Associated Organizations is not considered a financial instrument.

CFC Capital Term Certificates – It is not practicable to estimate fair value for these financial instruments given the lack of a market and their long holding period.

Cash and Temporary Cash Investments – Carrying value, given the short period to maturity.

Long-Term Debt Variable Rate – Carrying value, since these notes reprice frequently at market rates.

Long-Term Debt Fixed Rate – Estimated by computing the present value by individual note to maturity, using currently quoted or offered rates for similar issues of debt. The year end CFC fixed interest rate for long-term debt available for notes with the same term remaining was used in the calculation for all fixed rate long-term debt. These are the only financial instruments of the cooperative that have a difference in Fair Value and Carrying Value. The carrying value of the cooperative's fixed rate debt is \$82,659,104. The estimated fair value was calculated to be \$65,732,443.

ACCOMPANYING INFORMATION

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**INDEPENDENT AUDITORS' REPORT ON INFORMATION
ACCOMPANYING THE BASIC FINANCIAL STATEMENTS**

Our audits of the basic financial statements presented in the preceding section of this report were made for the purpose of forming an opinion on such financial statements taken as a whole. The accompanying information shown on pages 18 through 25 is presented for purposes of additional analysis. Such information, except for that portion marked "Unaudited" on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion the information, except for that portion marked "Unaudited", is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Bolinger, Segars, Gilbert & Moss LLP

Certified Public Accountants

September 14, 2006

SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC.

Schedule 1

ELECTRIC PLANT
FOR THE YEAR ENDED JUNE 30, 2006

	Balance 7/1/2005	Additions and Reclassi- fications	Retirements	Balance 6/30/2006
CLASSIFIED ELECTRIC PLANT IN SERVICE				
Intangible Plant	\$ 46,500	\$	\$	\$ 46,500
Transmission Plant				
Land and Land Rights	\$ 49,331	\$	\$	\$ 49,331
Station Equipment	933,201			933,201
Poles, Towers, and Fixtures	2,515,964	136,723	2,225	2,650,462
Overhead Conductors and Devices	3,717,779	155,316	3,619	3,869,476
Total	\$ 7,216,275	\$ 292,039	\$ 5,844	\$ 7,502,470
Distribution Plant				
Land and Land Rights	\$ 123,393	\$ 1,314	\$	\$ 124,707
Structures and Improvements	5,191			5,191
Station Equipment	12,965,728	3,913,229		16,878,957
Poles, Towers, and Fixtures	28,827,292	1,570,350	305,929	30,091,713
Overhead Conductors and Devices	19,375,408	980,983	129,234	20,227,157
Underground Conduit	12,456,735	474,786	3,179	12,928,342
Underground Conductors and Devices	15,787,419	2,965,590	190,886	18,562,123
Line Transformers	32,942,419	2,538,663	67,940	35,413,142
Services	8,061,520	144,733	31,523	8,174,730
Meters	6,971,730	1,412,696		8,384,426
Installations on Consumers' Premises	1,195,989	52,246	2,750	1,245,485
Street Light and Signal Systems	1,958,683	26,460	1,767	1,983,376
Total	\$ 140,671,507	\$ 14,081,050	\$ 733,208	\$ 154,019,349
General Plant				
Land and Land Rights	\$ 777,461	\$ 11,439	\$	\$ 788,900
Structures and Improvements	4,368,352	2,000,640		6,368,992
Office Furniture and Equipment	2,457,445	79,860	19,823	2,517,482
Transportation Equipment	2,689,724	632,729	141,441	3,181,012
Stores Equipment	261,787	32,142		293,929
Tools, Shop, and Garage Equipment	1,125,048	50,095		1,175,143
Laboratory Equipment	572,034	100,310		672,344
Power Operated Equipment	4,575,398	1,384,875	38,872	5,921,401
Communication Equipment	852,144	36,246		888,390
Miscellaneous Equipment	100,729	2,782		103,511
Net Aid to Plant Investment - Ft. Huachuca		(854,117)		(854,117)
Total	\$ 17,780,122	\$ 3,477,001	\$ 200,136	\$ 21,056,987
Total Classified Electric Plant In Service	\$ 165,714,404	\$ 17,850,090	\$ 939,188	\$ 182,625,306
Construction Work in Progress	16,247,435	(499,349)		15,748,086
Total Utility Plant	\$ 181,961,839	\$ 17,350,741	\$ 939,188	\$ 198,373,392

SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC.

Schedule 2

ACCUMULATED PROVISION FOR DEPRECIATION AND AMORTIZATION
FOR THE YEAR ENDED JUNE 30, 2006

	Balance 7/1/2005	Depreciation Accruals	Retirements	Balance 6/30/2006
Intangible Plant	\$ 46,500	\$	\$	\$ 46,500
Transmission Plant	\$ 4,380,315	\$ 199,459	\$	\$ 4,579,774
Distribution Plant	\$ 45,178,573	\$ 5,167,039	\$ 933,643	\$ 49,411,969
General Plant				
Structures and Improvements	\$ 1,991,650	\$ 125,012	\$	\$ 2,116,662
Office Furniture and Equipment	1,814,945	145,799	19,623	1,941,121
Transportation Equipment	2,184,330	331,142	128,011	2,387,461
Stores Equipment	153,391	11,499		164,890
Tools, Shop, and Garage Equipment	671,664	51,140	(6,354)	729,158
Laboratory Equipment	376,308	25,229		401,537
Power Operated Equipment	2,789,165	479,809	33,347	3,235,627
Communications Equipment	354,257	46,024		400,281
Miscellaneous Equipment	46,051	3,909		49,960
Total General Plant	\$ 10,381,761	\$ 1,219,563	\$ 174,627	\$ 11,428,697
Total Classified Electric Plant in Service	\$ 59,987,149	\$ 6,586,061	\$ 1,108,270	\$ 65,464,940
Retirement Work in Progress	(267,815)		24,071	(291,886)
Total	\$ 59,719,334	\$ 6,586,061	\$ 1,132,341	\$ 65,173,054
		(1)	(2)	

(1) Charged to Depreciation and Amortization Expense
Charged to Clearing and Other Accounts

\$ 5,728,457
857,604
\$ 6,586,061

(2) Cost of Units Retired and Sold
Add: Cost of Removal
Less: Salvage and Other Credits

\$ 939,188
378,865
185,712

Loss Due to Retirement

\$ 1,132,341

SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC.

Schedule 3

OTHER PROPERTY AND INVESTMENTS

JUNE 30, 2006 AND 2005

	June 30,	
	2006	2005
NON-UTILITY PROPERTY		
Land Held for Future Substation Sites	\$ 115,029	\$ 115,029
INVESTMENTS IN ASSOCIATED ORGANIZATIONS		
Memberships		
National Rural Utilities Cooperative Finance Corporation	\$ 1,000	\$ 1,000
Other	10	10
Patronage Capital		
National Rural Utilities Cooperative Finance Corporation	658,046	624,483
Arizona Electric Power Cooperative, Inc.	6,151,212	6,151,213
National Rural Telecommunications Cooperative	24,702	19,087
Federated Rural Electric Insurance Exchange	151,016	137,326
National Information Systems Cooperative	2,484	1,250
Capital Term Certificates		
National Rural Utilities Cooperative Finance Corporation	3,008,854	2,780,766
Total Investments in Associated Organizations	\$ 9,997,324	\$ 9,715,135
OTHER INVESTMENTS		
Member Loans Receivable	\$ 177,421	\$ 188,346
Homestead Funds, Inc.	242,204	166,134
Total Other Investments	\$ 419,625	\$ 354,480
Total Other Property and Investments	\$ 10,531,978	\$ 10,184,644

SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC.

Schedule 4

PATRONAGE CAPITAL

JUNE 30, 2006

Year	Assignable	Assigned		Retired	Balance
		SSVEC	AEPCO		
1960 +	\$	\$ 1,962,967	\$	\$ 1,962,967	\$
1963			20,147	20,147	
1964		38,601	38,390	76,991	
1965		164,927		164,927	
1970		6,888	107,978	114,866	
1971			110,214	110,214	
1972		316,026	131,655	447,681	
1973		552,047	228,668	780,715	
1974		351,822		351,822	
1975		187,983		187,983	
1976		43,754		43,754	
1977		373,156		373,156	
1978		427,875		427,875	
1979		557,380		557,380	
1980		1,861,471		1,861,471	
1981		1,221,186		1,221,186	
1982		631,366		631,366	
1983		396,749		396,749	
1984		534,630		534,630	
1985		542,575		250,026	292,549
1986		913,573		10	913,563
1987		717,893			717,893
1988		429,716			429,716
1989		2,097,639			2,097,639
1990		1,536,891			1,536,891
1991		1,056,601			1,056,601
1992		636,830			636,830
1993		1,747,920			1,747,920
1994		2,297,104		286,839	2,010,265
1995		1,559,057		194,754	1,364,303
1996		1,514,534		189,200	1,325,334
1997		1,561,900		195,217	1,366,683
1999		2,557,142			2,557,142
2000		3,262,510			3,262,510
2001		2,772,943	1,916,729		4,689,672
2002		2,585,107	2,931,416	542,561	4,973,962
2003		2,383,110	1,303,017		3,686,127
2004		3,402,651		250,000	3,152,651
2005	3,921,637				3,921,637
2006 (6 months)	1,877,418				1,877,418
Adjustments	10				10
	\$ 5,799,065	\$ 43,204,524	\$ 6,788,214	\$ 12,174,487	\$ 43,617,316

SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC.

Schedule 5

CFC MORTGAGE NOTES
JUNE 30, 2006

CFC MORTGAGE NOTES

Note Number	Date of Note	Interest Rate	Principal Amount	Amount Unadvanced	Principal Repayments	Net Obligations
9002	03-31-74	3.75%	\$ 750,000	\$	\$ 613,106	\$ 136,894
9004	05-13-75	3.75%	820,000		605,237	214,763
9007	03-13-77	3.75%	622,000		395,662	226,338
9010	03-31-78	6.30%	644,000		369,456	274,544
9013	03-31-80	6.55%	2,171,000		1,039,068	1,131,932
9016	05-31-82	5.80%	1,988,000		769,320	1,218,680
9017	08-20-84	3.75%	2,104,000		743,984	1,360,016
9018	09-30-86	6.55%	3,520,833		1,055,493	2,465,340
9019	03-31-89	3.75%	2,401,042		537,943	1,863,099
9020	01-29-93	3.75%	1,781,250		388,826	1,392,424
9021	01-19-94	3.75%	1,808,333		347,555	1,460,778
9022	04-26-95	3.75%	1,705,000		227,644	1,477,356
9023	07-01-98	6.55%	3,714,000		257,755	3,456,245
9026	03-31-02	Various (1)	18,281,000		619,460	17,661,540
9027	03-31-02	4.90%	2,878,000		180,696	2,697,304
9028	03-19-04	6.75%	9,270,000		264,432	9,005,568
9029	12-31-03	Various (2)	28,304,131		9,494,711	18,809,420
9030		Various (3)	46,364,000	28,170,862	386,276	17,806,862
Total CFC			\$ 129,126,589	\$ 28,170,862	\$ 18,296,624	\$ 82,659,103

(1) - Interest rates range from 4.65% to 5.30%.

(2) - Interest rates range from 2.95% to 5.65%.

(3) - Interest rates range from 5.60% to 6.70%

Net obligation includes \$4,311,103 due CFC payable within one year and classified as current liabilities on the balance sheet.

SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC.

Schedule 6

ADMINISTRATIVE AND GENERAL EXPENSES AND TAXES
FOR THE YEARS ENDED JUNE 30, 2006 AND 2005

	June 30,		Increase (Decrease)
	2006	2005	
ADMINISTRATIVE AND GENERAL EXPENSES			
Administrative and General Salaries	\$ 1,528,999	\$ 1,351,185	\$ 177,814
Office Supplies and Expense	416,131	220,428	195,703
Outside Services Employed	395,689	376,617	19,072
Injuries and Damages	59,497	35,397	24,100
Directors' Fees and Mileage	216,011	191,382	24,629
Dues Paid Associated Organizations	146,230	161,777	(15,547)
Miscellaneous General Expenses	276,803	232,014	44,789
Capital Credits	9,518	26,491	(16,973)
Maintenance of General Property	<u>75,456</u>	<u>68,608</u>	<u>6,848</u>
Total	<u>\$ 3,124,334</u>	<u>\$ 2,663,899</u>	<u>\$ 460,435</u>

TAXES

Franchise	<u>\$ 702,087</u>	<u>\$ 627,592</u>	<u>\$ 74,495</u>
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SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC.

Schedule 7

FIVE YEAR COMPARATIVE DATA

Financial Data	Years Ended June 30,			
	2006	2005	2004	2003
OPERATING REVENUES				
Residential	\$ 36,620,450	\$ 33,189,865	\$ 31,976,770	\$ 29,192,851
Irrigation	9,419,697	6,270,281	5,227,040	4,812,129
Commercial and Industrial	27,042,668	24,622,173	23,493,229	22,378,760
Public Buildings and Other Authorities	413,588	348,298	348,169	372,041
Power Adjustment (Over) Underbilled	560,148	(1,759,682)	1,102,095	753,718
Rent from Electric Property	1,424,642	510,683	358,495	370,825
Other Operating Revenues	689,150	648,028	669,064	674,516
Total Operating Revenues	\$ 76,170,343	\$ 63,829,646	\$ 63,174,862	\$ 58,554,840
				\$ 55,007,654
OPERATING EXPENSES				
Purchased Power	\$ 45,111,247	\$ 36,208,652	\$ 35,444,526	\$ 33,368,724
Transmission	479,869	202,377	213,908	447,049
Distribution - Operation	7,074,687	6,736,977	6,951,217	6,398,321
Distribution - Maintenance	1,911,905	1,736,525	2,022,411	1,928,318
Customer Accounts	2,542,412	2,600,468	2,629,489	3,225,622
Customer Service and Information	657,004	599,813	660,875	737,990
Sales Expense	501,857	317,628	335,689	367,289
Administrative and General	3,124,334	2,663,899	2,769,907	2,232,527
Depreciation and Amortization	5,728,457	5,320,877	4,954,872	4,713,112
Taxes	702,087	627,592	594,011	536,955
Other Interest	156,140	90,909	60,932	41,461
Other Deductions	138,638	84,397	110,124	71,458
Total Operating Expenses	\$ 68,128,637	\$ 57,190,114	\$ 56,747,961	\$ 54,068,826
				\$ 49,446,069
OPERATING MARGINS - Before Fixed Charges	\$ 8,041,706	\$ 6,639,532	\$ 6,426,901	\$ 4,486,014
				\$ 5,561,585
FIXED CHARGES				
Interest on Long-Term Debt	4,460,641	3,705,354	3,085,088	3,034,705
Amortization of Conversion Fees	82,712	82,712	82,712	
	\$ 4,543,353	\$ 3,788,066	\$ 3,167,800	\$ 3,034,705
				\$ 3,068,010
OPERATING MARGINS - After Fixed Charges	\$ 3,498,353	\$ 2,851,466	\$ 3,259,101	\$ 1,451,309
Other Capital Credits	289,097	203,690	128,694	1,428,895
NET OPERATING MARGINS	\$ 3,787,450	\$ 3,055,156	\$ 3,387,795	\$ 2,880,204
				\$ 5,586,612
NONOPERATING MARGINS				
Interest Income	\$ 111,895	\$ 111,874	\$ 112,580	\$ 124,681
Other Nonoperating Income (Expense)	983,071	742,846	(74,537)	(291,240)
	\$ 1,094,966	\$ 854,720	\$ 38,043	\$ (166,559)
				\$ (153,353)
NET MARGINS	\$ 4,882,416	\$ 3,909,876	\$ 3,425,838	\$ 2,713,645
				\$ 5,433,259
Miscellaneous Statistics				
MWH Sales	735,119	661,688	627,364	598,744
Times Interest Earned Ratio	2.09	2.06	2.11	1.89
Debt Service Coverage	1.54	1.66	1.46	2.02
Equity to Total Assets	28.5	28.1	29.6	29.7
Equity to Total Capitalization	34.2	32.8	33.2	34.3

SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC.

Schedule 8

STATEMENT OF INCOME AND PATRONAGE CAPITAL
FOR THE CALENDAR YEARS 2005 AND 2004
UNAUDITED

	December 31,	
	2005	2004
OPERATING REVENUES	\$ 68,718,037	\$ 62,793,699
OPERATING EXPENSES		
Cost of Power	\$ 39,657,238	\$ 35,213,316
Transmission Expense	256,391	207,620
Distribution - Operation	6,878,483	6,618,668
Distribution - Maintenance	1,820,043	1,946,842
Consumer Accounts	2,593,333	2,630,754
Customer Service, Information, and Sales	1,041,165	956,986
Administrative and General	2,879,666	2,663,973
Depreciation and Amortization	5,513,746	5,123,141
Taxes	617,202	634,195
Other Deductions	237,506	112,340
Total Operating Expenses	\$ 61,494,773	\$ 56,107,835
OPERATING MARGINS - Before Fixed Charges	\$ 7,223,264	\$ 6,685,864
FIXED CHARGES		
Interest on Long-Term Debt	4,032,440	3,488,171
OPERATING MARGINS - After Fixed Charges	\$ 3,190,824	\$ 3,197,693
Capital Credits	283,525	204,952
Net Operating Margins	\$ 3,474,349	\$ 3,402,645
NONOPERATING MARGINS		
Interest Income	\$ 127,052	\$ 107,363
Other Nonoperating Income (Expense)	1,140,011	171,755
Total	\$ 1,267,063	\$ 279,118
NET MARGINS	\$ 4,741,412	\$ 3,681,763

COMPLIANCE AND INTERNAL CONTROL SECTION

BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

PHONE: (806) 747-3806

FAX: (806) 747-3815

1623 10TH STREET

LUBBOCK, TEXAS 79401-2685

**LETTER TO BOARD OF DIRECTORS REGARDING POLICIES
CONCERNING AUDITS OF CFC BORROWERS**

Board of Directors
Sulphur Springs Valley Electric Cooperative, Inc.
Willcox, Arizona

We have audited, in accordance with auditing standards generally accepted in the United States of America, the balance sheet of Sulphur Springs Valley Electric Cooperative, Inc. as of June 30, 2006, and the related statements of income and patronage capital and cash flows for the year then ended, and have issued our report thereon dated September 14, 2006.

In connection with our audit, nothing came to our attention that caused us to believe that the Cooperative failed to comply with the terms of Article V of the National Rural Utilities Cooperative Finance Corporation Loan Agreement insofar as they relate to accounting matters. However, our audits were not directed primarily toward obtaining knowledge of such noncompliance.

This report is intended solely for the information and use of the Boards of Directors and management of Sulphur Springs Valley Electric Cooperative, Inc. and the National Rural Utilities Cooperative Finance Corporation and is not intended to be and should not be used by anyone other than these specified parties.

Bolinger, Segars, Gilbert & Moss LLP

Certified Public Accountants

September 14, 2006

EXHIBIT D

**NATIONAL RURAL UTILITIES
COOPERATIVE FINANCE CORPORATION**

FINANCIAL AND STATISTICAL REPORT

Submit one electronic copy and one signed hard copy
to CFC. Round all numbers to the nearest dollar.

BORROWER DESIGNATION

AZ014

BORROWER NAME

Sulphur Springs Electric Cooperative, INC

ENDING DATE

12/31/2006

CERTIFICATION

We hereby certify that the entries in this report are in accordance with the accounts and other records of the system
and reflect the status of the system to the best of our knowledge and belief.

Signature of Office Manager or Accountant

Date

4/10/07

Signature of Manager

Date

4/11/07

NEW AUTHORIZATION CHOICES

A. NRECA uses rural electric system data for legislative,
regulatory and other purposes. May we provide this report
from your system to NRECA?

NRECA

☒ YES

☐ NO

B. Will you authorize CFC to share your data with other co-
ops on Cooperative.com's website?

Cooperative.com

☒ YES

☐ NO

ITEM	YEAR-TO-DATE			THIS MONTH
	LAST YEAR (a)	THIS YEAR (b)	BUDGET (c)	
1. Operating Revenue and Patronage Capital	70,556,551	83,463,534	73,271,382	6,646,631
2. Power Production Expense	0	0	0	0
3. Cost of Purchased Power	39,657,238	50,325,722	42,801,578	4,226,374
4. Transmission Expense	261,269	409,638	246,485	(65,654)
5. Distribution Expense - Operation	7,533,650	8,305,989	6,954,948	698,388
6. Distribution Expense - Maintenance	2,140,561	2,242,675	2,377,378	258,484
7. Consumer Accounts Expense	2,593,333	2,678,854	2,463,363	245,047
Customer Service and Informational Expense	596,626	671,672	795,523	57,414
Sales Expense	444,539	498,952	461,556	(29,838)
10. Administrative and General Expense	2,932,818	3,138,164	3,247,719	130,730
11. Total Operation & Maintenance Expense (2 thru 10)	56,160,034	68,271,666	59,348,550	5,520,945
12. Depreciation & Amortization Expense	5,513,746	6,078,576	6,000,000	540,761
13. Tax Expense - Property & Gross Receipts	0	0	0	0
14. Tax Expense - Other	617,202	783,726	805,300	55,925
15. Interest on Long-Term Debt	4,032,440	4,807,890	4,734,304	477,312
16. Interest Charged to Construction (Credit)	0	0	0	0
17. Interest Expense - Other	128,695	270,856	145,800	22,081
18. Other Deductions	108,811	144,319	87,500	21,615
19. Total Cost of Electric Service (11 thru 18)	66,560,928	80,357,033	71,121,454	6,638,639
20. Patronage Capital & Operating Margins (1 minus 19)	3,995,623	3,106,501	2,149,928	7,992
21. Non Operating Margins - Interest	127,053	114,678	132,000	8,165
22. Allowance for Funds Used During Construction	0	0	0	0
23. Income (Loss) from Equity Investments	0	0	0	0
24. Non Operating Margins - Other	335,212	(239,588)	1,029,336	(455,165)
25. Generation & Transmission Capital Credits	0	0	0	0
26. Other Capital Credits & Patronage Dividends	283,524	402,783	492,900	285
27. Extraordinary Items	0	0	0	0
28. Patronage Capital or Margins (20 thru 27)	4,741,412	3,384,374	3,804,164	(438,723)

ITEM	YEAR-TO-DATE		ITEM	YEAR-TO-DATE	
	LAST YEAR (a)	THIS YEAR (b)		LAST YEAR (a)	THIS YEAR (b)
1. New Services Connected	265	829	5. Miles Transmission	298	298
2. Services Retired	52	281	6. Miles Distribution Overhead	3,179	3,290
Total Services In Place	49,719	50,267	7. Miles Distribution Underground	536	641
4. Idle Services (Exclude Seasonal)	2,190	1,498	8. Total Miles Energized (5+6+7)	4,013	4,229

CFC FINANCIAL AND STATISTICAL REPORT		BORROWER DESIGNATION AZ014	
		YEAR ENDING	12/31/2006
ASSETS AND OTHER DEBITS			
		LIABILITIES AND OTHER CREDITS	
1. Total Utility Plant in Service	196,262,415	28. Memberships	188,375
2. Construction Work in Progress	12,072,740	29. Patronage Capital	41,447,239
3. Total Utility Plant (1+2)	208,335,155	30. Operating Margins - Prior Years	0
4. Accum. Provision for Depreciation and Amort	67,046,698	31. Operating Margins - Current Year	3,509,283
5. Net Utility Plant (3-4)	141,288,457	32. Non-Operating Margins	(124,910)
6. Nonutility Property - Net	115,029	33. Other Margins & Equities	69
7. Investment in Subsidiary Companies	0	34. Total Margins & Equities (28 thru 33)	45,020,056
8. Invest. in Assoc. Org. - Patronage Capital	7,055,636	35. Long-Term Debt CFC (Net)	90,100,504
9. Invest. in Assoc. Org. - Other - General Funds	1,010	(Payments-Unapplied (\$))	0
10. Invest in Assoc. Org. - Other - Nongeneral Funds	3,043,379	36. Long-Term Debt - Other (Net)	0
11. Investments in Economic Development Projects	0	(Payments-Unapplied (\$))	0
12. Other Investments	175,139	37. Total Long-Term Debt (35+36)	90,100,504
13. Special Funds	264,182	38. Obligations Under Capital Leases - Non current	0
14. Total Other Property & Investments (6 thru 13)	10,654,375	39. Accumulated Operating Provisions - Asset Retirement Obligations	829,080
15. Cash-General Funds	823,412	40. Total Other Noncurrent Liabilities (38+39)	829,080
16. Cash-Construction Funds-Trustee	0	41. Notes Payable	5,541,883
17. Special Deposits	62,365	42. Accounts Payable	6,910,847
18. Temporary Investments	0	43. Consumers Deposits	1,332,753
19. Notes Receivable - Net	0	44. Current Maturities Long-Term Debt	0
20. Accounts Receivable - Net Sales of Energy	3,534,341	45. Current Maturities Long-Term Debt-Economic Development	0
21. Accounts Receivable - Net Other	2,137,908	46. Current Maturities Capital Leases	0
22. Materials & Supplies - Electric and Other	523,057	47. Other Current & Accrued Liabilities	4,864,665
23. Prepayments	543,357	48. Total Current & Accrued Liabilities (41 thru 47)	18,650,148
24. Other Current & Accrued Assets	27,530	49. Deferred Credits	5,349,050
25. Total Current & Accrued Assets (15 thru 24)	7,651,970	50. Total Liabilities & Other Credits (34+37+40+48+49)	159,948,838
26. Deferred Debits	354,036		
27. Total Assets & Other Debits (5+14+25+26)	159,948,838		

Balance Beginning of Year	9,414,282
Amounts Received This Year (Net)	2,693,800
TOTAL Contributions-In-Aid-Of-Construction	12,108,082

Estimated unbilled revenue not included in part C Line 20	\$2,699,259
Prepaid 10 year long-term right of way leases amortized 10 yrs	\$268,601
Deferred CR-Lump Sum ISAC payments amortized over 25 yrs	\$245,693
Deferred credit patronage capital uncashed checks	\$1,169,251
Deferred credit fuel adjustment balance	\$1,999,191
Deferred credit-solar energy government programs	\$338,773
Deferred credit consumer advances for construction	\$4,743,156
Deferred credit joint use rent amortized over terms of lease	\$381,837
Deferred credit-cost of removal	\$32,280
Fort Huachuca Deferred Revenue	\$437,251
Fort Huachuca A/C included in Part C Line 21	\$1,861,138
Fort Huachuca CWIP included in Part C Line 2	\$477,572
Cash from retirement of G&T and other capital credit's	\$314,127

CFC FINANCIAL AND STATISTICAL REPORT			BORROWER DESIGNATION AZ014				
			YEAR ENDING 12/31/2006				
<p style="text-align: center;">Much of Part E has been consolidated. Enter only the total of "Distribution Plant" (that includes such items as Land and Land Rights, Structures and Improvements and Station Equipment), the total of "General Plant" (items such as Office Furniture, Transportation Equipment) the total of "Transmission Plant" (items such as Land and Land Rights, Roads and Trails), Steam, Nuclear, Hydro, Other Production Plants and "All Other Utility Plant"</p>							
PART E. CHANGES IN UTILITY PLANT							
	PLANT ITEM	BALANCE BEGINNING OF YEAR (a)	ADDITIONS (b)	RETIREMENTS (c)	ADJUSTMENTS AND TRANSFER (d)	BALANCE END OF YEAR (e)	
1.	Distribution Plant Subtotal	145,671,400	21,110,348	2,067,902	0	164,713,846	
2.	General Plant Subtotal	13,839,406	1,513,763	144,455	0	15,208,714	
3.	Headquarters Plant	5,165,343	2,544,715	0	0	7,710,060	
4.	Intangibles	46,500	0	0	0	46,500	
5.	Transmission Plant Subtotal	7,334,040	1,984,600	33,349	0	9,285,291	
6.	Production Plant - Steam	0	0	0	0	0	
7.	Production Plant - Nuclear	0	0	0	0	0	
8.	Production Plant - Hydro	0	0	0	0	0	
9.	Production Plant - Other	0	0	0	0	0	
10.	All Other Utility Plant	(1,033,755)	331,759	0	0	(701,996)	
11.	SUBTOTAL: (1 thru 10)	171,022,936	27,485,185	2,245,706	0	196,262,415	
12.	Construction Work in Progress	16,312,616	(4,239,876)			12,072,740	
13.	TOTAL UTILITY PLANT (11 + 12)	187,335,552	23,245,309	2,245,706	0	208,335,155	
CFC NO LONGER REQUIRES SECTIONS "F", "G", "N" AND "P" DATA Those sections refer to data on "Analysis of Accumulated Provision for Depreciation" (F), "Materials and Supplies" (G), "Annual Meeting and Board Data" (N), and "Conservation Data" (P).							
PART F. SERVICE INTERRUPTIONS							
	ITEM	Avg. Hours per Consumer by Cause Power Supplier (a)	Avg. Hours per Consumer by Cause Extreme Storm (b)	Avg. Hours per Consumer by Cause Prearranged (c)	Avg. Hours per Consumer by Cause All Other (d)	TOTAL (e)	
1.	Present Year	0.08	0.00	0.01	0.17	0.26	
2.	Five-Year Average	0.17	0.01	0.04	1.55	1.77	
PART G. EMPLOYEE - HOUR AND PAYROLL STATISTICS							
1.	Number of Full Time Employees	185	4.	Payroll - Expensed	6,150,337		
2.	Employee - Hours Worked - Regular Time	342,512	5.	Payroll - Capitalized	2,407,070		
3.	Employee - Hours Worked - Overtime	25,013	6.	Payroll - Other	1,238,679		
PART H. PATRONAGE CAPITAL							
	ITEM	THIS YEAR (a)	CUMULATIVE (b)	PART I. DUE FROM CONSUMERS FOR ELECTRIC SERVICE			
1.	General Retirement	292,549	10,682,767	1. Amount Due Over 60 Days: 233,473			
2.	Special Retirements	0	0	2. Amount Written Off During Year: 100,246			
3.	Total Retirements (1+2)	292,549	10,682,767				
4.	Cash Received from Retirement of Patronage Capital by Suppliers of Electric Power	0					
5.	Cash Received from Retirement of Patronage Capital by Lenders for Credit Extended to the Electric System	307,298					
6.	Total Cash Received (4+5)	307,298					
PART J. KWH PURCHASED AND TOTAL COST							
	NAME OF SUPPLIER (a)	CFC USE ONLY SUPPLIER CODE (b)	KWH PURCHASED (c)	TOTAL COST (d)	AVERAGE COST PER KWH (cents) (e)	INCLUDED IN TOTAL COST	
						FUEL COST ADJUSTMENT (f)	WHEELING & OTHER CHARGES (or Credits) (g)
1.	AEPCO		794,324,562	50,325,722	6.34	5,600,087	0
2.			0	0	0.00	0	0
3.			0	0	0.00	0	0
4.			0	0	0.00	0	0
TOTALS			794,324,562	50,325,722	6.34	5,600,087	0

CFC
FINANCIAL AND STATISTICAL REPORT

BORROWER DESIGNATION

AZ014

YEAR ENDING

12/31/2006

PART M. LONG-TERM LEASES (If additional space is needed, use separate sheet)

LIST BELOW ALL "RESTRICTED PROPERTY" ** HELD UNDER "LONG TERM" LEASE. (If none, State "NONE")

NAME OF LESSOR

TYPE OF PROPERTY

RENTAL THIS YEAR

1. None

\$0

2.

3.

TOTAL

\$0

** "RESTRICTED PROPERTY" means all properties other than automobiles, trucks, tractors, other vehicles (including without limitation aircraft and ships), office and warehouse space and office equipment (including without limitation computers). "LONG TERM" means leases having unexpired terms in excess of 3 years and covering property having an initial cost in excess of \$250,000.

PART O. LONG-TERM DEBT SERVICE REQUIREMENTS

NAME OF LENDER

BALANCE END OF
YEAR

BILLED THIS YEAR

INTEREST
(a)

PRINCIPAL
(b)

TOTAL
(c)

CFC USE ONLY
(d)

1. National Rural Utilities Cooperative Finance Corporation

90,100,504

4,390,279

4,194,124

8,584,403

2.

0

0

0

0

3.

0

0

0

0

4.

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7.

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0

8.

0

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0

0

9.

0

0

0

0

10. TOTAL (Sum of 1 thru 9)

\$90,100,504

\$4,390,279

\$4,194,124

\$8,584,403

CFC FINANCIAL AND STATISTICAL REPORT		BORROWER DESIGNATION AZ014			
		YEAR ENDING 12/31/2006			
PART R. POWER REQUIREMENTS DATA BASE					
CLASSIFICATION	CONSUMER, SALES, AND REVENUE DATA	JANUARY CONSUMERS (a)	DECEMBER CONSUMERS (b)	AVERAGE CONSUMERS (c)	TOTAL KWH SALES AND REVENUE (d)
1. Residential Sales (excluding seasonal)	a. No. Consumers Served	38,695	39,432	39,064	
	b. KWH Sold				334,357,730
	c. Revenue				39,450,924
2. Residential Sales - Seasonal	a. No. Consumers Served	0	0	0	
	b. KWH Sold				0
	c. Revenue				0
3. Irrigation Sales	a. No. Consumers Served	575	633	604	
	b. KWH Sold				120,854,372
	c. Revenue				10,093,268
4. Comm. and Ind. 1000 KVA or Less	a. No. Consumers Served	8,381	8,654	8,518	
	b. KWH Sold				237,887,593
	c. Revenue				25,896,874
5. Comm. and Ind. Over 1000 KVA	a. No. Consumers Served	3	3	3	
	b. KWH Sold				39,876,000
	c. Revenue				3,256,317
6. Public Street & Highway Lighting	a. No. Consumers Served	45	47	46	
	b. KWH Sold				2,279,172
	c. Revenue				429,459
7. Other Sales to Public Authority	a. No. Consumers Served	0	0	0	
	b. KWH Sold				0
	c. Revenue				0
8. Sales for Resales-RUS Borrowers	a. No. Consumers Served	0	0	0	
	b. KWH Sold				0
	c. Revenue				0
9. Sales for Resales-Other	a. No. Consumers Served	0	0	0	
	b. KWH Sold				0
	c. Revenue				0
10. TOTAL No. of Consumers (lines 1a thru 9a)		47,699	48,769	48,234	
11. TOTAL KWH Sold (lines 1b thru 9b)					735,254,867
12. TOTAL Revenue Received From Sales of Electric Energy (line 1c thru 9c)					79,126,842
13. Other Electric Revenue					2,215,604
14. KWH - Own Use					1,784,975
15. TOTAL KWH Purchased					794,324,562
16. TOTAL KWH Generated					0
17. Cost of Purchases and Generation					50,325,722
18. Interchange - KWH - Net					0
19. Peak - Sum All KW Input (Metered) Non-coincident _____ Coincident _____					176,053

**CFC
INVESTMENTS, LOAN GUARANTEES
AND LOANS - DISTRIBUTION**

(All investments refer to your most recent CFC Loan Agreement)
Submit an electronic copy and a signed hard copy
to CFC. Round all amounts to the nearest dollar.

BORROWER DESIGNATION

AZ014

BORROWER NAME

Sulphur Springs Electric Cooperative, INC

MONTH ENDING

12/31/2006

DESCRIPTION (a)	INCLUDED (\$) (b)	EXCLUDED (\$) (c)	INCOME OR LOSS (d)
5 Patronage Capital CFC			
6 Patronage Capital - G & T Supplier	0	725,521	0
7 Patronage Capital-Other, Federated, NISC, NRTC	0	6,151,213	0
8 Investments in CTC's at NRUCFC & NRUCFC Membership	0	178,912	0
Subtotal (Line 5 thru 8)	0	3,044,379	0
9			
10			0
11			0
12			0
Subtotal (Line 9 thru 12)	0	0	0
13 ERC Loans Receivable			
14	173,391	0	0
15	0	0	0
16	0	0	0
Subtotal (Line 13 thru 16)	173,391	0	0
17 Deferred Compensation-Employee			
18	0	264,182	0
19	0	0	0
20	0	0	0
Subtotal (Line 17 thru 20)	0	264,182	0
21 General Funds-Bank Of America, Chase, Wells Fargo, On-Hand			
22 CBA Medical	613,138	200,000	0
23	0	10,274	0
24	0	0	0
Subtotal (Line 21 thru 24)	613,138	210,274	0
25 Other utilities, UPS, US Postmaster			
26 State Fund Insurance	15,983	0	0
27 Bella Vista Water	10,132	0	0
28 City of Sierra Vista, Pueblo del Sol	350	0	0
Subtotal (Line 25 thru 28)	33,900	0	0
29	0	0	0
30	0	0	0
31	0	0	0
32	0	0	0
Subtotal (Line 29 thru 32)	0	0	0
33			
34	0	0	0
35	0	0	0
36	0	0	0
Subtotal (Line 33 thru 36)	0	0	0
37			
38	0	0	0
39	0	0	0
40	0	0	0
Subtotal (Line 37 thru 40)	0	0	0
Total	848,893	10,574,481	0

CFC
BORROWER DESIGNATIONINVESTMENTS, LOAN GUARANTEES
AND LOANS - DISTRIBUTION

AZ014

BORROWER NAME

Sulphur Springs Electric Cooperative, INC

(All investments refer to your most recent CFC Loan Agreement)
Submit an electronic copy and a signed hard copy
to CFC. Round all amounts to the nearest dollar.

MONTH ENDING

12/31/2006

Line No.	Organization & Guarantee Beneficiary (a)	Maturity Date of Guarantee Obligation (b)	Original Amount (\$)(c)	Performance Guarantee Exposure or Loan Balance (\$)(d)	Available Loans (Covered by Guarantees) (e)
1			0	0	0
2			0	0	0
3			0	0	0
4			0	0	0
5			0	0	0
TOTALS (Line 1 thru 5)					

Line No.	Name of Organization (a)	Maturity Date (b)	Original Amount (\$)(c)	Loan Balance (\$)(d)	Available Loans (e)
1			0	0	0
2			0	0	0
3			0	0	0
4			0	0	0
5			0	0	0
TOTALS (Line 1 thru 5)					

1 TOTAL (Part I, Total - Column b + Part II, Totals - Column d + Column e + Part III, Totals - Column d + Column e)

2 LARGER OF (a) OR (b)

a. 15 percent of Total Utility Plant (CFC Form 7, Part C, Line 3)

b. 50 percent of Total Equity (CFC Form 7, Part C, Line 34)

We have added 92 new ratios to the existing 53 ratios calculated from the data entered on your Form 7. These preliminary ratios can be used to evaluate your system's performance and used as an error checking device. MDSC and DSC will be "estimated" values. Your system's prior year's "Investment in Associated Orgs -- Patronage Capital" must be entered as a part of the calculation for MDSC.

ITEM DESCRIPTION	ENTER DATA	RATIO NO.	RATIO DESCRIPTION	ESTIMATED RATIO VALUE
Invest. In Assoc. Org. - Pat Cap (for 2005)	6,966,981	1	Average Total Consumers Served	48,234.00
Billed Debt Services (2006)	8,584,403	2	Total kWh Sold (1,000)	735,255.00
Total KWH Sold (for 2005)	699,402,976	3	Total Utility Plant (1,000)	208,335.16
Avg. Total Number of Consumers (for 2005)	46,773	4	Total Number of Employees (Full Time Only)	185.00
Total Utility Plant (for 2005)	187,335,553	5	Total Miles of Line	4,229.00
Total Margins and Equities (for 2004)	3,681,763	6	TIER (estimated)	1.70
Total Margins and Equities (for 2005)	4,741,412	7	TIER (2 of 3 year High Average)	2.12
Total Long-Term Debt (for 2004)	67,842,482	8	OTIER	1.71
Total Long-Term Debt (for 2005)	75,596,880	9	OTIER (2 of 3 year High Average)	1.91
Total Margins and Equities (for 2001)	4,689,672	10	MDSC (estimated)	1.68
Total Long-Term Debt (for 2001)	59,839,272	11	MDSC (2 of 3 year High Average)	1.64
Current Maturities Long-Term Debt - Economic Development (2005)		12	Debt Service Coverage - DSC (estimated)	1.66
Current Maturities Long-Term Debt (2005)	4,165,124	13	DSC (2 of 3 year High Average)	1.71
TIER (2004)	2.06	14	ODSC	1.67
TIER (2005)	2.18	15	ODSC (2 of 3 year high average)	1.63
TIER (2006)	1.70	16	Equity As A % of Assets	28.15
		17	Distribution Equity (excludes equity in Assoc. Org's Patronage Capital)	24.83
OTIER (2004)	1.97	18	Equity As A % of Total Capitalization	33.32
OTIER (2005)	1.85	19	Long Term Debt As A % of Total Assets	56.33
OTIER (2006)	1.71	20	Long Term Debt Per KWH Sold (Mills)	122.54
		21	Long Term Debt Per Consumer (\$)	1,867.99
MDSC (2004)	1.43	22	Non-Government Debt As % of Total Long-Term Debt	100.00
MDSC (2005)	1.61	23	Blended Interest Rate (%)	5.66
MDSC (2006)	1.68	24	Annual Capital Credits Retired Per Total Equity (%)	0.65
		25	Long-Term Interest As A % of Revenue	5.76
DSC (2004)	1.46	26	Cumulative Patronage Capital Retired As A % of Total Patronage Capital	19.18
DSC (2005)	1.76	27	Rate of Return on Equity (%)	7.52
DSC (2006)	1.66	28	Rate of Return on Total Capitalization (%)	6.06
		29	Current Ratio	0.41
ODSC (2004)	1.42	30	General Funds Per TUP (%)	0.66
ODSC (2005)	1.60	31	Plant Revenue Ratio (PPR) One Year	6.37
ODSC (2006)	1.67	32	Investment in Subsidiaries to Total Assets (%)	-
2% of Total Margins & Equity	900,401	33	Total Operating Revenue Per KWH Sold (Mills)	113.52
Total Long-Term Leases	-	34	Total Operating Revenue Per TUP Investment (Cents)	40.06
1/3 of the Lease portion	(300,134)	35	Total Operating Revenue Per Consumer (\$)	1,730.39
Pat Cap (Cash) portion	314,128	36	Electric Revenue Per KWH Sold (Mills)	107.62
		37	Electric Revenue Per Consumer (\$)	1,640.48
		38	Residential Revenue Per KWH Sold (Mills)	117.99
		39	Non-Residential Revenue Per KWH Sold (Mills)	98.97
		40	Seasonal Revenue Per KWH Sold (Mills)	#DIV/0!

We have added 92 new ratios to the existing 53 ratios calculated from the data entered on your Form 7. These preliminary ratios can be used to evaluate your system's performance and used as an error checking device. MDSC and DSC will be "estimated" values. Your system's prior year's "Investment in Associated Orgs -- Patronage Capital" must be entered as a part of the calculation for MDSC.

RATIO NO.	RATIO DESCRIPTION	ESTIMATED RATIO VALUE	RATIO NO.	RATIO DESCRIPTION	ESTIMATED RATIO VALUE
41	Irrigation Revenue Per KWH Sold (Mills)	83.52	81	Consumer Accounting Expenses per Consumer (\$)	55.54
42	Small Commercial Revenue Per KWH Sold (Mills)	108.86	82	Customer Sales and Service Per Total KWH Sold (Mills)	1.59
43	Large Commercial Revenue Per KWH Sold (Mills)	81.66	83	Consumer Sales and Service Per Consumer (\$)	24.27
44	Sale for Resale Revenue Per KWH Sold (Mills)	#DIV/0!	84	A & G Expenses Per Total KWH Sold (Mills)	4.27
45	Street & Highway Lighting Revenue Per KWH Sold (Mills)	188.43	85	A & G Expenses Per Consumer (\$)	65.06
46	Other Sales to Public Authorities Revenue Per KWH Sold (Mills)	#DIV/0!	86	Total Controllable Expenses Per Total KWH Sold (Mills)	23.85
47	Operating Margins Per KWH Sold (Mills)	4.23	87	Total Controllable Expenses Per Consumer (\$)	363.57
48	Operating Margins Per Consumer \$	64.40	88	Power Cost Per KWH Purchased (Mills)	63.87
49	Non-Operating Margins Per KWH Sold (Mills)	(0.17)	89	Power Cost Per Total KWH Sold (Mills)	69.00
50	Non-Operating Margins Per Consumer \$	(2.58)	90	Power Cost As A % of Revenue	60.79
51	Total Margins Less Allocations Per KWH Sold (Mills)	4.06	91	Long-Term Interest Cost Per Total KWH Sold (Mills)	6.54
52	Total Margins Less Allocations Per Consumer \$	61.82	92	Long-Term Interest Cost As A % of TUP	2.31
53	Income (Loss) from Equity Investments Per Consumer \$	-	93	Long-Term Interest Cost Per Consumer (\$)	99.68
54	Associated Organization's Capital Credits Per KWH Sold (Mills)	0.55	94	Depreciation Expense Per Total KWH Sold (Mills)	8.27
55	Associated Organization's Capital Credits Per Consumer (\$)	8.35	95	Depreciation Expense As A % of TUP	2.92
56	Total Margins Per KWH Sold (Mills)	4.60	96	Depreciation Expense Per Consumer (\$)	126.02
57	Total Margins Per Consumer \$	70.17	97	Accumulative Depreciation As A % of Plant in Service	34.16
58	A/R Over 60 Days As A % of Operating Revenue	0.28	98	Total Tax Expense Per Total KWH Sold (Mills)	1.07
59	Amount Write-Off As A % of Operating Revenue	0.12	99	Total Tax Expense As A % of TUP	0.38
60	Total MWH Sold Per Mile of Line	173.86	100	Total Tax Expense Per Consumer	16.25
61	Average Residential KWH Usage Per Month	713.28	101	Total Fixed Expenses Per Total KWH Sold (Mills)	85.44
62	Average Seasonal KWH Usage Per Month	#DIV/0!	102	Total Fixed Expenses Per Consumer (\$)	1,302.42
63	Average Irrigation KWH Usage Per Month	16,674.17	103	Total Operating Expenses Per Total KWH Sold (Mills)	23.85
64	Average Small Commercial KWH Usage Per Month	2,327.44	104	Total Operating Expenses Per Consumer (\$)	363.57
65	Average Large Commercial KWH Usage Per Month	1,107,666.67	105	Total Cost of Service (Minus Power Costs) Per Total KWH Sold (Mills)	40.29
66	Average Street & Highway Lighting KWH Usage Per Month	4,128.93	106	Total Cost of Electric Service Per Total KWH Sold (Mills)	109.29
67	Average Sales for Resale KWH Usage Per Month	#DIV/0!	107	Total Cost of Electric Service Per Consumer (\$)	1,665.98
68	Average Sales to Public Authorities KWH Usage Per Month	#DIV/0!	108	Average Wage Rate Per Hour (\$)	26.65
69	Residential KWH Sold Per Total KWH Sold (%)	45.48	109	Total Wages Per Total KWH Sold (Mills)	13.32
70	Seasonal KWH Sold Per Total KWH Sold (%)	-	110	Total Wages Per Consumer (\$)	203.10
71	Irrigation KWH Sold Per Total KWH Sold (%)	16.44	111	Overtime Hours/Total Hours (%)	6.81
72	Small Commercial KWH Sold Per Total KWH Sold (%)	32.35	112	Capitalized Payroll/Total Payroll (%)	24.57
73	Large Commercial KWH Sold Per Total KWH Sold (%)	5.42	113	Average Consumers Per Employee	260.72
74	Street & Highway Lighting KWH Sold Per Total KWH Sold (%)	0.31	114	Annual Growth in KWH Sold (%)	5.13
75	Sales for Resale KWH Sold Per Total KWH Sold (%)	-	115	Annual Growth in Number of Consumers (%)	3.12
76	Sales to Public Authorities KWH Sold Per Total KWH Sold (%)	-	116	Annual Growth in TUP Dollars (%)	11.21
77	O & M Expenses Per Total KWH Sold (Mills)	14.35	117	Const. W.I.P. to Plant Additions (%)	43.92
78	O & M Expenses Per Dollars of TUP (Mills)	50.63	118	Net New Services to Total Services (%)	1.09
79	O & M Expenses Per Consumer (\$)	218.70	119	Annual Growth in Total Capitalization (%)	68.19
80	Consumer Accounting Expenses Per Total KWH Sold (Mills)	3.64	120	2 Yr. Compound Growth in Total Capitalization (%)	37.45

PRELIMINARY FINANCIAL RATIO EVALUATION

We have added 92 new ratios to the existing 53 ratios calculated from the data entered on your Form 7. These preliminary ratios can be used to evaluate your system's Performance and used as an error checking device. MDSC and DSC will be "estimated" values. Your system's prior year's "Investment in Associated Orgs -- Patronage Capital" must be entered as a part of the calculation for MDSC.

RATIO NO.	RATIO DESCRIPTION	ESTIMATED RATIO VALUE
121	5 Yr. Compound Growth in Total Capitalization (%)	15.93
122	TUP Investment Per Total KWH Sold (Cents)	28.34
123	TUP Investment Per Consumer (\$)	4,319.26
124	TUP Investment Per Mile of Line (\$)	49,263.46
125	Average Consumers Per Mile	11.41
126	Distribution Plant Per Total KWH Sold (Mills)	224.02
127	Distribution Plant Per Consumer (\$)	3,414.89
128	Distribution Plant Per Employee (\$)	890,345.11
129	General Plant Per Total KWH Sold (Mills)	20.68
130	General Plant Per Consumer (\$)	315.31
131	General Plant Per Employee (\$)	82,209.26
132	Headquarters Plant Per Total KWH Sold (Mills)	10.49
133	Headquarters Plant Per Consumer (\$)	159.85
134	Headquarters Plant Per Employee (\$)	41,676.00
135	Transmission Plant Per Total KWH Sold (Mills)	12.63
136	Transmission Plant Per Consumer (\$)	192.51
137	Transmission Plant Per Employee (\$)	50,190.76
138	Idle Services to Total Service (%)	2.98
139	Line Loss (%)	7.21
140	System Avg. Interruption Duration Index (SAIDI) - Power Supplier	0.08
141	System Avg. Interruption Duration Index (SAIDI) - Extreme Storm	-
142	System Avg. Interruption Duration Index (SAIDI) - Prearranged	0.01
143	System Avg. Interruption Duration Index (SAIDI) - All Other	0.17
144	System Avg. Interruption Duration Index (SAIDI) - Total	0.26
145	Avg. Service Availability Index (ASAI) - Total (%)	100.00

EXHIBIT E

NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION		BORROWER DESIGNATION A2014	
FINANCIAL AND STATISTICAL REPORT <small>Submit one electronic copy and one signed hard copy to CFC. Round all numbers to the nearest dollar.</small>		BORROWER NAME Sulphur Springs Valley Electric Cooperative, Inc.	
		ENDING DATE July 2007	

CERTIFICATION	
Signature of Office Manager or Accountant	8/21/07 Date
Signature of Manager	8/24/07 Date

PART A: STATEMENT OF OPERATIONS				
ITEM	YEAR-TO-DATE			THIS MONTH (d)
	LAST YEAR (a)	THIS YEAR (b)	BUDGET (c)	
1. Operating Revenue and Patronage Capital	48,761,513	53,763,281	53,342,900	9,683,991
2. Power Production Expense				
3. Cost of Purchased Power	29,065,463	33,896,232	32,584,100	6,361,866
4. Transmission Expense	376,219	122,395	233,436	15,184
5. Distribution Expense - Operation	4,753,660	4,592,842	5,419,330	575,675
6. Distribution Expense - Maintenance	1,268,390	1,444,417	1,358,011	137,914
7. Consumer Accounts Expense	1,532,493	1,574,117	1,716,633	168,166
8. Customer Service and Informational Expense	402,417	391,356	316,144	45,197
9. Sales Expense	297,187	346,259	533,358	54,408
10. Administrative and General Expense	1,926,927	2,157,382	2,061,752	228,299
11. Total Operation & Maintenance Expense (2 thru 10)	39,622,786	44,624,998	44,222,764	7,606,709
12. Depreciation & Amortization Expense	3,422,076	4,115,186	4,102,000	569,029
13. Tax Expense - Property	0	0	0	0
14. Tax Expense - Other	401,247	547,827	459,900	54,855
15. Interest on Long-Term Debt	2,844,597	3,345,844	3,070,875	503,235
16. Interest Charged to Construction (Credit)	0	0	0	0
17. Interest Expense - Other	140,130	179,455	155,225	40,673
18. Other Deductions	75,027	90,583	44,600	(12,794)
19. Total Cost of Electric Service (11 thru 18)	46,506,433	52,803,301	52,055,364	8,761,708
20. Patronage Capital & Operating Margins (1 minus 19)	2,255,080	959,388	1,287,536	922,283
21. Non Operating Margins - Interest	70,425	96,201	72,650	9,122
22. Allowance for Funds Used During Construction	0	0	0	0
23. Income (Loss) from Equity Investments	0	0	0	0
24. Non Operating Margins - Other	138,210	57,916	60,318	(3,300)
25. Generation & Transmission Capital Credits	0	0	0	0
26. Other Capital Credits & Patronage Dividends	27,309	29,729	12,000	0
27. Extraordinary Items	0	0	0	0
28. Patronage Capital or Margins (20 thru 27)	2,491,023	1,143,234	1,432,504	928,106

PART B: DATA ON TRANSMISSION AND DISTRIBUTION PLANT					
ITEM	YEAR-TO-DATE		ITEM	YEAR-TO-DATE	
	LAST YEAR (a)	THIS YEAR (b)		LAST YEAR (a)	THIS YEAR (b)
1. New Services Connected	383	247	5. Miles Transmission	298	298
2. Services Retired	148	80	6. Miles Distribution Overhead	3,257	3,319
3. Total Services In Place	49,954	50,434	7. Miles Distribution Underground	578	701
4. Idle Services (Exclude Seasonal)	1,343	914	8. Total Miles Energized (5+6+7)	4,133	4,318

CFC FINANCIAL AND STATISTICAL REPORT		BORROWER DESIGNATION AZ014	
		MONTH ENDING July 2007	
PART C: BALANCE SHEET			
ASSETS AND OTHER DEBITS		LIABILITIES AND OTHER CREDITS	
1. Total Utility Plant in Service	205,369,792	28. Memberships	190,565
2. Construction Work in Progress	17,978,331	29. Patronage Capital	45,668,620
3. Total Utility Plant (1+2)	223,347,843	30. Operating Margins - Prior Years	0
4. Accum. Provision for Depreciation and Amort	70,319,560	31. Operating Margins - Current Year	999,117
5. Net Utility Plant (3-4)	153,028,283	32. Non-Operating Margins	154,112
6. Nonutility Property - Net	115,029	33. Other Margins & Equities	(837,716)
7. Investment in Subsidiary Companies	0	34. Total Margins & Equities (28 thru 33)	46,164,703
8. Invest. in Assoc. Org. - Patronage Capital	7,075,443	35. Long-Term Debt CFC (Net)	99,816,444
9. Invest. in Assoc. Org. - Other - General Funds	1,010	(Payments-Unapplied (\$))	
10. Invest. in Assoc. Org. - Other - Nongeneral Funds	3,245,324	36. Long-Term Debt - Other (Net)	0
11. Investments in Economic Development Projects	0	(Payments-Unapplied (\$))	
12. Other Investments	194,041	37. Total Long-Term Debt (35+36)	99,816,444
13. Special Funds	334,224	38. Obligations Under Capital Leases	0
14. Total Other Property & Investments (6 thru 13)	10,965,071	39. Accumulated Operating Provisions	895,068
15. Cash-General Funds	1,269,160	40. Total Other Noncurrent Liabilities (38+39)	895,068
16. Cash-Construction Funds-Trustee	0	41. Notes Payable	9,565,793
17. Special Deposits	62,365	42. Accounts Payable	7,547,884
18. Temporary Investments	160,000	43. Consumers Deposits	1,561,871
19. Notes Receivable - Net	0	44. Current Maturities Long-Term Debt	
20. Accounts Receivable - Net Sales of Energy	7,127,119	45. Current Maturities Long-Term Debt-Economic Development	
21. Accounts Receivable - Net Other	1,709,939	46. Current Maturities Capital Leases	
22. Materials & Supplies - Electric and Other	2,636,170	47. Other Current & Accrued Liabilities	5,122,583
23. Prepayments	708,072	48. Total Current & Accrued Liabilities (41 thru 47)	23,798,140
24. Other Current & Accrued Assets	43,326	49. Deferred Credits	7,351,070
25. Total Current & Accrued Assets (15 thru 24)	13,716,150	50. Total Liabilities & Other Credits (34+37+40+48+49)	178,025,425
26. Deferred Debits	315,921	ESTIMATED CONTRIBUTION IN-AID-OF-CONSTRUCTION	
27. Total Assets & Other Debits (5+14+25+26)	178,025,425	Balance Beginning of Year	12,108,982
		Amounts Received This Year (Net)	1,160,321
		TOTAL Contributions-In-Aid-Of-Construction	13,268,403
PART D: NOTES TO FINANCIAL STATEMENTS			
THE SPACE BELOW IS PROVIDED FOR IMPORTANT NOTES REGARDING THE FINANCIAL STATEMENT CONTAINED IN THIS REPORT.			

PART D. CONSUMER SALES AND REVENUE DATA							
CLASS OF SERVICE	THIS MONTH			YEAR-TO-DATE			
	No. Receiving Service (a)	kwh Sold (b)	Amount (c)	No. Mini- mum Bills (d)	Avg.No. Re- ceiving Ser. (e)	kwh Sold Cumulative (f)	Amount Cumulative (g)
1. Residential Sales(excl seas.)	39,974	38,567,566	4,801,731	918	39,955	207,138,222	25,856,513
2. Revenue Adjustment	0	0	(707,403)	0	0	0	(1,981,851)
3. Irrigation Sales	766	22,613,233	2,073,560	69	762	90,768,877	8,547,898
4. Comm. & Ind.-50 kva or less	8,387	10,969,666	1,415,630	893	8,382	63,362,311	8,341,362
5. Comm. & Ind. over 50 kva	346	17,455,190	1,815,100	1	346	105,271,544	10,559,594
6. Public St. & Highway Lightng.	47	196,795	36,145	0	47	1,371,499	251,771
7. Total Sales of Electric Energy (1 thru 6)	49,520	89,802,450	9,434,763	1,881	49,491	467,912,453	51,575,287
8. Other Electric Revenue			249,228				2,187,994
9. Total (7 + 8)			9,683,991				53,763,281

PART E. kwh AND kw STATISTICS					
ITEM	THIS MONTH (a)	YEAR-TO-DATE (b)	ITEM	THIS MONTH (a)	YEAR-TO-DATE (b)
1. Net kwh Generated	0	0	6. Office Use	103,371	1,085,610
2. Kwh Purchased	94,233,322	512,135,612	7. Total Unaccounted For (4 Less 5 & 6)	4,327,501	43,137,549
3. Sm. Power Production	0	0	8. Percent System Loss(7/4)x100	4.59%	8.42%
4. Total kwh (1 thru 3)	94,233,322	512,135,612	9. Maximum Demand (KW)	189,614	189,614
5. Total kwh - Sold	89,802,450	467,912,453	10. Month When Maximum Demand Occured		7

REA Form 7

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EXHIBIT F

**PUBLIC NOTICE
OF
AN APPLICATION BY SULPHUR SPRINGS VALLEY ELECTRIC
COOPERATIVE, INC. FOR AN ORDER
AUTHORIZING IT TO INCUR DEBT TO FINANCE ITS CLEAN
RENEWABLE ENERGY BONDS FOR SCHOOLS PROGRAM AND FOR
RELATED APPROVALS**

Sulphur Springs Valley Electric Cooperative, Inc. ("SSVEC" or "Applicant") has filed an Application with the Arizona Corporation Commission ("Commission") for an order authorizing Applicant to borrow from the National Rural Utilities Cooperative Finance Corporation ("CFC") up to \$11,480,000 to finance its Clean Renewable Energy Bonds for Schools Program to construct photovoltaic shade structures at schools, colleges and universities within its service territory and for approval to execute related loan documents. The Clean Renewable Energy Bonds will be issued by the CFC pursuant to the Energy Policy Act of 2005 which affords the Applicant the ability to borrow money at minimal interest rates to finance renewable generation projects. SSVEC will repay the CFC loan from revenues derived from its Commission-approved Renewable Energy Standard Tariff. The Application is available for inspection during regular business hours at the office of the Commission in Phoenix, Arizona, and at the Company's offices located in Willcox, and Sierra Vista, Arizona.

Intervention in the Commission's proceedings in the Application shall be permitted to any person entitled by law to intervene and having a direct substantial interest in this matter. Persons desiring to intervene must file a Motion to Intervene with the Commission which must be served upon Applicant and which, at a minimum, shall contain the following information:

1. The name, address and telephone number of the proposed intervenor and any person upon whom service of documents is to be made if different than the intervenor.
2. A short statement of the proposed intervenor's interest in the proceeding.
3. Whether the proposed intervenor desires a formal evidentiary hearing on the Application and the reasons for such a hearing.
4. A statement certifying that a copy of the Motion to Intervene has been mailed to the Applicant.

The granting of Motions to Intervene shall be governed by A.A.C. R14-3-105, except that all Motions to Intervene must be filed on or before the 15th day after publication of this notice.